

October 2022



2030 AGENDA FOR IMPACT

National Strategy for Social Investment and Innovation

Advisory Board of the National Competence Centre for Social Innovation Member List

Administração Central do Sistema de Saúde, I.P.
(ACSS) *Central Administration of the Health System*

Agência Nacional para a Qualificação e o Ensino
Profissional, I.P. (ANQEP) *National Agency for
Qualification and Vocational Education*

Agência para o Desenvolvimento e Coesão, I.P.
(AD&C) *Agency for Cohesion and Development*

Área Metropolitana do Porto (AMP) *Porto
Metropolitan Area*

Associação Portuguesa para a Inovação Social
(ESLIDER) *Portuguese Association for Social
Innovation*

Associação Portuguesa para o Desenvolvimento
Local (ANIMAR) *Portuguese Association for Local*

Development

Banco Europeu de Investimentos (BEI) *European
Investment Bank (EIB)*

Banco Montepio *Montepio Bank*

Banco Português de Investimento (BPI) / Fundação
La Caixa *BPI Bank / La Caixa Foundation*

Casa do Impacto - Santa Casa da Misericórdia de
Lisboa (SCML) *Casa do Impacto - Lisbon Holy House
of Mercy*

Centro de Competências de Planeamento, de
Políticas e de Prospetiva da Administração Pública
(PlanAPP) *Competence Centre for Planning, Policy
and Foresight in Public Administration*

Centro para a Inovação no Setor Público (LabX)
Centre for Innovation in the Public Sector

Centro Português de Fundações (CPF) *Portuguese
Foundations Centre*

Confederação Cooperativa Portuguesa
(CONFECOOP) *Portuguese Cooperative
Confederation*

Conselho Empresarial para o Desenvolvimento
Sustentável (BCSD Portugal) *Business Council for
Sustainable Development*

Cooperativa António Sérgio para a Economia Social
(CASES) *António Sérgio Cooperative for the Social
Economy*

CUF, José de Mello Saúde *CUF, Mello Health Group*

Direção-Geral de Reinserção e serviços Prisionais
(DGRSP) *Directorate-General for Reintegration and
Prison Services*

Estrutura de Missão Portugal Digital (EMPD)/
Iniciativa Nacional de Competências Digitais e.2030
(INCoDe.2030) *Digital Portugal Mission Structure/
National Digital Skills Initiative e.2030*

Estrutura de Missão Portugal Inovação Social
(EMPIS) *Portugal Social Innovation (PSI)*

Fundação Ageas *Ageas Foundation*

Fundação Manuel António da Mota (FMAM) *Manuel
António da Mota Foundation*

Fundação Calouste Gulbenkian (FCG) *Calouste
Gulbenkian Foundation*

Grace - Empresas Responsáveis *Grace -
Responsible Companies*

IES Social Business School *IES Social Business
School*

Incubadora Regional de Inovação Social (IRIS)
Regional Incubator for Social Innovation

Instituto da Segurança Social, I.P. (ISS) *Institute of
Social Security*

Instituto do Emprego e Formação Profissional,
I.P. (IEFP) *Institute of Employment and Vocational
Training*

Instituto Politécnico de Leiria *Polytechnic Institute of
Leiria*

Instituto Politécnico do Porto - Escola Superior
de Tecnologia e Gestão (ESTG) *Polytechnic
Institute of Porto - Higher School of Technology and
Management*

Instituto Superior de Economia e Gestão da
Universidade de Lisboa (ISEG) *University of Lisbon
College of Economics and Management*

MAZE Impact *MAZE Impact*

Sair da Casca *Sair da Casca*

Universidade Católica Portuguesa *Portuguese
Catholic University*

Universidade de Aveiro *University of Aveiro*

Universidade de Coimbra *University of Coimbra*

Universidade do Minho *University of Minho*

Universidade Nova de Lisboa *Nova University of
Lisbon*

União das Misericórdias Portuguesas (UMP) *Union of
Portuguese Holy Houses of Mercy*

União das Mutualidades Portuguesas *Union of
Portuguese Mutual Associations*

Vieira de Almeida & Associados (VdA) *Vieira de
Almeida and Associates*

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Glossary

Public Administration: the set of organisations and institutions that depend directly on the Government. The adoption of social innovation practices and the promotion of Social Innovation and Entrepreneurship Initiatives (SIEI) by the Public Administration are vital for greater efficiency and effectiveness in public services.

Capacity Building: the process of strengthening the skills of individuals or organisations that promotes the quality and sustainable performance of their activities and mission, following an ongoing improvement approach. When applied to individuals, it refers to developing leadership and management skills useful in designing, implementing, monitoring, and growing impact projects. When applied to organisations, it relates to strengthening administrative structures, resource mobilisation, stakeholder management models, quality management processes, and organisational governance.

Outcome-based commissioning: the mechanism by which service providers are commissioned (contracted or paid) based on the achievement of outcomes.

Social entrepreneurship: the process of developing and implementing sustainable solutions to underserved social problems. This process can take place in different organisational contexts (e.g. social economy entities, companies, public sector entities or entities without legal personality). The core principles of social entrepreneurship include prioritising the creation of social value, focusing on innovation instead of following established rules and solutions, seeking sustainable solutions, and committing to empower the main players in the value chain.

Portugal Social Innovation Mission Structure: this Mission Structure was created in 2014 under the Portugal 2020 Partnership Agreement to coordinate the public initiative 'Portugal Social Innovation'. This initiative aims to develop social innovation and boost the social investment market. PSI supports all types of entities to create innovative solutions to social problems and promotes the implementation of financing instruments suited to the needs of the sector. Thus, PSI takes on the role of driving force behind the Portuguese ecosystem, leveraging social investment in several projects, while contributing to the growing maturity of the sector in the country.

Social Innovation and Entrepreneurship Initiative(s) (SIEI): projects promoted by any entity, regardless of its legal structure, that intend to solve social problems through innovative solutions. As a social innovation project, a SIEI should be set up to fight inequalities and solve or mitigate a social problem, promoting healthier and better life conditions, ways of life and life prospects, with a universal reach potential. According to PSI, a SIEI must meet the following requirements:

1. Existence of a social problem with an identifiable target group with a specific vulnerability.
2. Differentiation of the proposed solution.
3. Project with the potential to have a positive impact on the quality of life or development prospects of the targeted group.

Social innovation: the materialisation of a new solution to a social problem, focused on social impact and efficient use of resources. Ideally, social innovation would be based on a simple concept, replicable in other contexts, and supported by either accessible and abundant resources or highly scalable resources and business models. Therefore, social innovation is both a purpose and a method to achieve successful social entrepreneurship. Given the difficulty in codifying and replicating social innovations, social investment is mainly focused on financing the scaling of social innovations.

Social investment: the investment of capital in activities, organisations, or funds with the goal of obtaining both financial and social return. These types of return are monitored and influence the investor's decision-making. There are profit-first social investors and impact first investors, who are mainly focused on achieving a certain level of return or impact, respectively. Profit-with-impact investors seek to maximise profit and impact, acting in areas where profit and impact are strongly correlated.

Impact measurement: the process of analysing, calculating, and monitoring both positive and negative changes resulting from a particular intervention (e.g. initiative, programme, project or organisation). As far as possible, the impact should be translated into indicators that can be quantified. Monetising these indicators is possible but not necessary. There are several impact measurement methodologies, although none is accepted as a global reference. To measure the impact of the social value of an innovative social solution it is crucial to have a clear understanding and knowledge of the impact measurement tool used in the organisation or project concerned.

Social Impact Bond (SIB): a financing instrument focused on promoting innovation in public services through outcomes-based commissioning. In these contracts, public entities undertake to pay social investors a set amount provided there is social impact. The amount invested is paid to organizations so they can provide the services and achieve the contracted outcomes. In case the pre-established outcomes are achieved, social investors are fully reimbursed of their initial investment (often with a premium), whereas when outcomes are not achieved, they risk losing the initial investment. This way, private investors bare the risk of social innovation (instead of public funding), while ensuring the funding of organisations in the medium term.

AD&C
AFI30
CASES
CGF
EaSI
EIS
ESIF
ESF
GVA
III
INA
LAB X
NCCSI
OECD
POISE
PSI
PSSI
PT2020
PT2030
SDG
SIB
SIEI
TIMES
UN

Acronyms

AD&C Agency for Cohesion and Development

AFI30 2030 Agenda for Impact

CASES António Sérgio Cooperative for the Social Economy

CGF Calouste Gulbenkian Foundation

EaSI Employment and Social Innovation

EIS Enterprise Investment Scheme

ESIF European Structural and Investment Funds

ESF European Social Fund

GVA Gross Value Added

III Impact Investing Institute

INA General Directorate for the Qualification of Workers in Public Services, National Institute of Administration

LAB X Laboratory for Experimentation in Public Administration

NCCSI National Competence Centre for Social Innovation

OECD Organisation for Economic Co-operation and Development

POISE Social Inclusion and Employment Operational Programme

PSI Portugal Social Innovation

PSSI Private Social Solidarity Institutions

PT2020 Partnership Agreement between Portugal and the European Commission 2014-2020

PT2030 Partnership agreement between Portugal and the European Commission 2021-2027

SDG Sustainable Development Goals

SIB Social Impact Bond

SIEI Social Innovation and Entrepreneurship Initiative(s)

TIMES Institutional Trajectories and Models of Social Enterprise in Portugal Project

UN United Nations

Introduction

The 2030 Agenda for Impact (AFI30) is the national strategy for social investment and innovation in Portugal for the period until 2030. It is the result of the work of the Advisory Board of the National Competence Centre for Social Innovation (or Advisory Board).

The **National Competence Centre for Social Innovation** (NCCSI) was created to support the national social innovation ecosystem by producing knowledge, building capacity, and promoting partnerships.

The **Advisory Board** is comprised of entities from the innovation and social investment ecosystem in Portugal - entities from the public, social, and private sectors - under the coordination of the Calouste Gulbenkian Foundation (CGF), a stakeholder with a vast experience and a leadership role in this subject area in Portugal.

The Advisory Board capitalises on the work previously done by the **Portuguese Working Group for Social Investment**, which mobilised various entities in the ecosystem to develop the national strategy for innovation and social investment for the 2015-2020 period. The final report had five major

recommendations¹. The Portuguese Working Group for Social Investment published an interim report in 2018, which presented progress regarding the implementation of each of the recommendations². This report identified public sector work as the area that progressed the least between 2015 and 2020.

Since 2021, the entities that comprise the Advisory Board have worked together to present a renewed version of the national strategy for investment and social innovation until 2030.

The 2030 Agenda for Impact (AFI30) aims to inform the actions of the main players of the Portuguese social innovation ecosystem, keeping our country in a leading position in these thematic and contributing to mitigating and solving social problems effectively and efficiently.



¹ Portuguese Working Group for Social Investment, 'Novas Abordagens para Mobilizar Financiamento para a Inovação Social em Portugal', 2015, available <https://taskforce.maze-impact.com/>.

² Portuguese Working Group for Social Investment, 'Relatório de Progresso', 2018, available: <https://taskforce.maze-impact.com/>.

Strategic Framework

Vision and strategic orientation for Portugal

Social innovation is the creation of a new response to a social problem - different from the conventional responses - which promotes autonomy and generates positive social impact, while using resources efficiently. Social innovation is relevant as there is a need to create new, effective, and efficient responses to tackle either social challenges that have persisted for several years and have no adequate social answer, or to address new social challenges that are constantly arising.

Social innovation has been one of the priorities in public policies at the European level and this agenda has been reinforced in 2013 through the creation of the Employment and Social Innovation (EaSI) programme. At the same time, there was a growing attention on public policies in social innovation topics in Portugal, culminating with the creation of the Portugal Social Innovation Mission Structure in 2014.

Portugal was the first EU country to raise European structural funds to set up an entity solely dedicated to social investment.

The relevance of new responses to social challenges relates to the scale of the challenges we are currently facing. The 2030 Agenda for Sustainable Development, approved in 2015 by a United Nations (UN) resolution, reveals the scale of global social challenges.

In 2020, around 96 million Europeans were at risk of poverty or social exclusion, accounting for approximately 21% of the European population¹. According to PORDATA, in 2020, 18.4% of the Portuguese population

was at risk of poverty. However, when social transfers are disregarded, the percentage of the people at risk of poverty increases to 43.5% (i.e. 4 out of 10 Portuguese would be at risk of poverty and social exclusion if there were no support measures from the Social State). The consequences of the pandemic and the current macroeconomic situation, characterised by high inflation, the energy crisis, and geopolitical tension, exacerbate the figures that characterise the social and environmental challenges in Portugal.

Since 2014, Portugal has been a leader in social investment and innovation at the European level. In the next decade, it is expected that Portugal keeps this leadership position by strengthening the policies and initiatives in place, while testing innovation in thematic areas where resources and incentives are most deficient.

There is a shared vision to make Portugal an international benchmark and a European platform for social innovation. Portugal has the ability to strengthen its positioning as a European hub for social innovation, where social entrepreneurs, investors, and public sector entities, work in partnership to test innovative projects at the local and national levels, thereby informing global solutions.

AFI30 reflects this vision and embodies a strategic orientation focused on fostering innovative responses to pressing social challenges in alignment with the Sustainable Development Goals (SDGs). Social investment and innovation should serve the adaptation, mitigation and resolution of social and environmental challenges in Portugal. Social innovation and investment are tools that work as a means to an end: creating a positive impact on the most vulnerable segments of our population.

Portugal
1st

country in the European Union to raise European structural funds for creating an entity dedicated to social investment

21%

of the European population is at risk of poverty or social exclusion

4 in 10

Portuguese people are at risk of poverty and social exclusion (without the support measures of the Social State)

¹ European Commission, Eurostat, available at <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20211015-1>.

2030 Agenda for Impact

5

Goals and Targets

4

Ecosystem Players

14

Recommendations

Vision

Portugal as an international benchmark and a European social innovation hub

Overall Goal

Fostering effective, innovative responses to solve pressing social challenges

Ecosystem Players

Goals and Targets

Recommendations

Ecosystem Enabler

Goal Strengthening Portugal Social Innovation (PSI) as a benchmark entity for social innovation in Portugal

Target One National Competence Centre for Social Innovation

Recommendation 1.1 Strengthen and broaden PSI competencies by creating the National Competence Centre for Social Innovation

Recommendation 1.2 Promote partnerships that enhance local and regional development

Recommendation 1.3 Simplify refund request procedures

Promoters of Social Innovation and Entrepreneurship Initiatives (SIEI)

Goal Promoting social entrepreneurship in Portugal

Target 750 SIEI

Recommendation 2.1 Encourage the creation of new SIEI

Recommendation 2.2 Strengthen capacity building in SIEI

Public Sector

Goal Launching regulatory initiatives that promote the growth of social innovation in Portugal

Target Three regulatory initiatives

Goal Raising capital for outcome-based contracting and funding

Target An additional €150 million

Recommendation 3.1 Extend tax incentives to promote social investment

Recommendation 3.2 Define and implement the most suitable approach for recognizing social enterprises in Portugal

Recommendation 3.3 Enable the use of unclaimed assets, channelling them into social investment

Recommendation 4.1 Activate and update the One Value platform

Recommendation 4.2 Ensure the continuity of successful social innovation projects

Recommendation 4.3 Train and empower public entities on outcome-based commissioning

Recommendation 4.4 Create a programme for Public Administration representatives within PSI

Social Investors

Goal Mobilising social investors and increasing the amount invested in social innovation in Portugal

Target 1700 investors and €200 million raised

Recommendation 5.1 Create new financial instruments suitable to the needs of SIEI promoters

Recommendation 5.2 Strengthen outreach efforts to increase the number of social investors

Key stakeholders of the 2030 Agenda for Impact

The goals set in AFI30 aim to ensure the continuity of Portugal's pioneering position in the field of social innovation by:

1. Strengthening and ensuring the continuity of existing initiatives (scaling the work done since 2014).
2. Testing with new initiatives (innovating and allocating resources to new areas).

These two dimensions — scaling existing solutions and testing innovative solutions — are present throughout the document. However, the successful implementation of this agenda depends on the coordinated effort of the several players of the ecosystem.

The rationale and structure of the goals set in the agenda reflect the relevance of all players in the ecosystem in developing and promoting social investment. The goals presented herein are organised into the following categories of ecosystem players:

- 1. Market Enabler:** PSI was created in 2014 under the Portugal 2020 Partnership Agreement to coordinate the Portugal Social Innovation public initiative, which aims to stimulate social innovation and boost the social investment market.

- 2. Promoters of Social Innovation and Entrepreneurship Initiatives (SIEI):** the over 71,000 social economy organisations represent 3% of domestic Gross Value Added (GVA)¹, having an estimated annual funding need for social innovation of €480 million².
- 3. Public Sector:** Public Administration cooperates with social and solidarity economy entities to strengthen social services through Cooperation Agreements with an annual budget of €1.8 billion³.
- 4. Social Investors:** private entities can fund social innovation, considering that over 1/3 of the business sector is already supporting the social sector, albeit in a traditional philanthropic format, in approximately €185 million per year⁴.

The agenda sets one goal for each of these players for the period until 2030 and sets two goals for the public sector. This option is in line with the findings of the 2018 Portuguese Group for Social Investment report, which highlighted the lack of progress in the recommendations related to the public sector. These goals are measurable to allow an evaluation of the progress made by each player during the relevant period.

¹ CASES, Conta Satélite da Economia Social, 2016, available at <https://www.cases.pt/contasatelitedaes/>.

² Agência para o Desenvolvimento & Coesão, 'Relatório Final da Avaliação Ex-Ante dos Instrumentos Financeiros de Programas do Portugal 2020', 2014.

³ Law no. 75-B/2020, of 12 December, which approves the State Budget for 2022.

⁴ Informa – Business by Data, 'Retrato dos Donativos em Portugal: Apoio das Empresas À Comunidade – Sumário Executivo', 2020, 3rd edition, 2.

Strategic goals and priorities



1st Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 21 October 2021

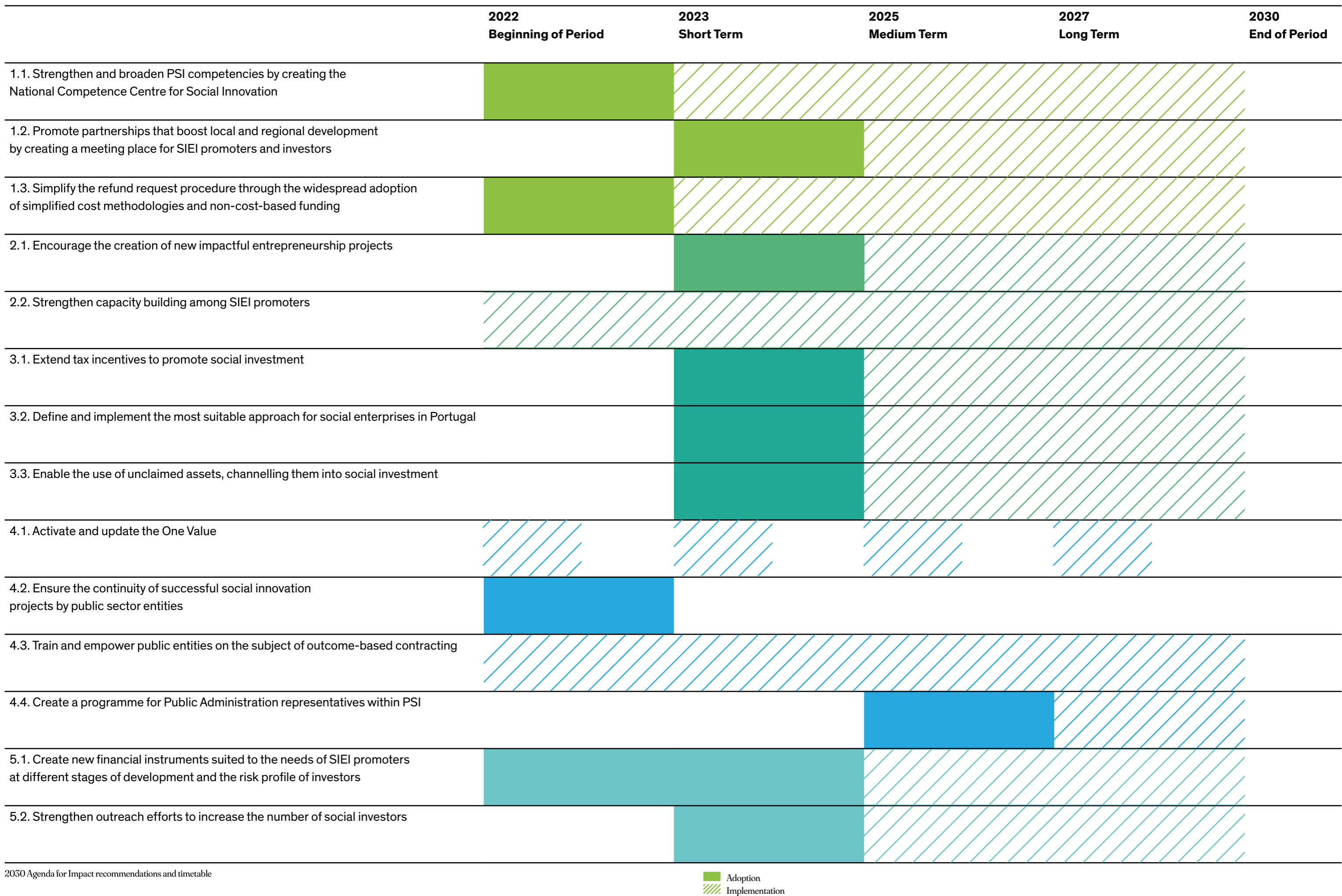
Photo: Márcia Lessa

The next chapters of AFI30 follow a uniform structure when presenting these goals. They provide a brief context for each goal, identify the main relevant challenges and suggest recommendations to solve or mitigate them.

In strict alignment with the priorities outlined by the Advisory Board, this document includes an implementation plan and a timeline until 2030 for each recommendation.

For each recommendation, a non-exhaustive list of the entity or entities in a better position to enable its implementation is suggested. These suggestions are based on the specificities of each recommendation as well as the role of the entities. However, any entity operating in the social innovation ecosystem is invited to contribute towards implementing these recommendations.

Finally, examples of good national and international practices that inspired the goals set herein are provided for reference.



Goal

1

Strengthening
Portugal Social
Innovation as a
benchmark entity
for social innovation
in Portugal

Target: One National
Competence Centre
for Social Innovation

Context

Portugal Social Innovation (PSI) was created in 2014 under the Portugal 2020 Partnership Agreement to coordinate the 'Portugal Social Innovation' public initiative, which aims to stimulate social innovation and boost the social investment market.

PSI supports all types of entities to create innovative solutions to social problems and promotes the implementation of funding instruments suited to the sector's needs. Thereby, PSI takes on the role of driving force behind the Portuguese ecosystem, leveraging social investment in a large number of projects and contributing to the growing maturity of the sector in the country.

Since 2015, PSI has been channelling its €150 million endowment from the European Social Fund into social investment and tested four funding instruments. In this period, PSI supported 693 projects promoted by 477 entities in various subject areas, including social inclusion, employment, education, health, justice, and digital inclusion, among others¹.

Social innovation and entrepreneurship projects have already benefited from a total investment of €148 million, €99 million from the PT2020 funding and €49 million from social investments made by private and public entities.

Despite the work already done, PSI faces challenges and opportunities to improve its performance. It is necessary to strengthen the role of PSI as a benchmark entity for social innovation in Portugal until 2030 by:

- Strengthening its competencies in ecosystem capacity-building and knowledge production.
- Fostering networking opportunities.
- Simplifying the processes of accessing and managing fund for social innovation projects.

€150M
to support social innovation

693
projects supported

¹ Portugal Inovação Social, Mapa Interativo da Inovação Social, available at <https://inovacaosocial.portugal2020.pt/projetos/>.

Challenges and Recommendations

Challenge

Portugal Social Innovation (PSI) limited competencies in ecosystem capacity-building and knowledge production

PSI aims at the following goals:

- i. Promoting innovation and social entrepreneurship in Portugal to generate new solutions to social problems.
- ii. Boosting the social investment market by creating financial instruments suited to the needs of investors, the social economy, and SIEI.
- iii. Empowering the social innovation and entrepreneurship ecosystem players in Portugal¹.

The competencies assigned to PSI have allowed it to grow as the market enabler of the national ecosystem. However, the lack of mandate in the capacity building and knowledge production has hampered the pursuit of goal iii.



Portugal Social Innovation logo

¹ Portugal Inovação Social, 2022, available at <https://inovacaosocial.portugal2020.pt/sobre/portugal-inovacao-social/>.

² Fuse Project, available at <https://www.fuseproject.eu/about-us>

³ For a detailed analysis on the importance of this approach: Universidade de Aveiro, 'Estudo do Ecossistema de Inovação Social em Portugal – Mapeamento e Observatório', 2022

Recommendation 1.1

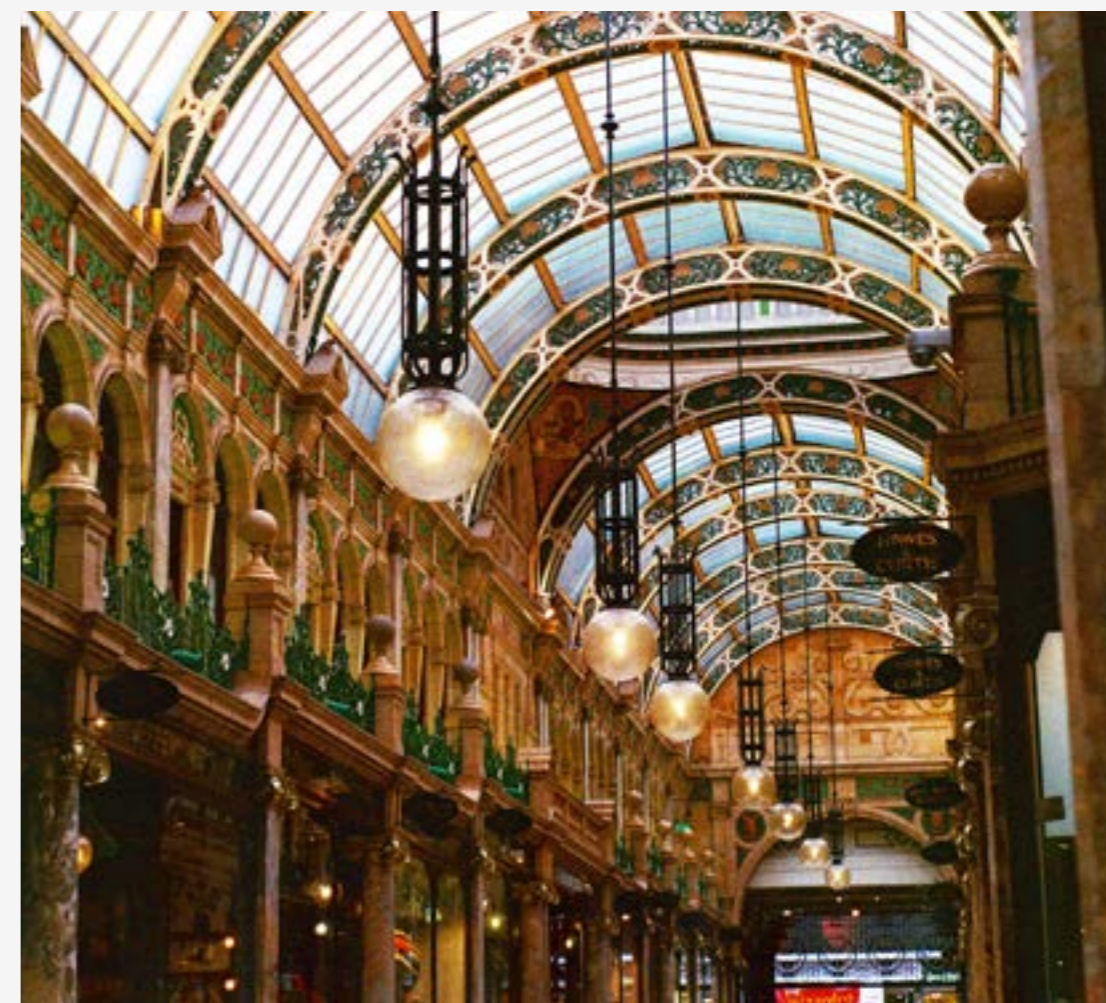
Strengthen and broaden PSI's competencies by creating the National Competence Centre for Social Innovation (NCCSI)

Scale

The work developed by the Impact Investing Institute (III) in the United Kingdom reveals the strong potential of an entity that conducts research and promotes training programmes with the support of all key ecosystem players.

The recognition of the importance of strengthening competencies for social innovation at the national level led the European Commission to promote the creation of six consortia: through transnational cooperation and knowledge-sharing, these aim to create National Competence Centres for Social Innovation. Altogether, the consortia include 24 EU Member States and the United Kingdom. Portugal is part of a consortium with Ireland, Bulgaria, and Cyprus called ESF+ Network of Competence Centres for Social Innovation or Facilitating United Approaches to Social Innovation in Europe (FUSE)².

Following this initiative, a NCCSI should be created to develop and support the national community of impact innovators through knowledge production, capacity building, and promotion of partnerships. The NCCSI, led by the Agency for Development and Cohesion (AD&C) and PSI, should have five regional observatories to facilitate the dissemination of the social innovation culture throughout the territory³.



Impact investing Institute. Source: <https://www.impactinvest.org.uk/>



Impact investing Institute logo

Best Practice Example

The *Impact Investing Institute* focuses on growing and enhancing the effectiveness of the social investment market in the UK, developing research, and driving capacity-building and advocacy programmes to ensure that the market thrives. This Institute brings together the United Kingdom National Advisory Board on Impact Investing and the Social Impact Investment Taskforce, as well as public support from the Ministry for Culture, Digital, Media and Sports, the Department for International Development, and the City of London Corporation.

Challenge

Lack of networking settings for players in the social innovation ecosystem

Social investors (supply) and SIEI promoters (demand) value meeting other ecosystem players, sharing experiences, and creating partnerships.

The ability to promote SIEI and to attract investment varies according to the different regions nationwide. For example, we find most of the projects supported by Portugal Social Innovation (PSI) in the North and Central regions of Portugal (40% and 35%, respectively) and the amount invested in each of these regions is, on average, 1/3 of the total amount invested in SIEI. The Algarve accounts for 5% of the projects supported, corresponding to 6% of the total amount funded. Differently, Lisbon and Alentejo regions account for 9.2% and 9.5% of the projects supported, representing 13% and 7% of the total amount invested, respectively¹.

The lack of network settings capable of serving the ecosystem is an obstacle to its development.

75%

of the projects supported by PSI are in the North and Central regions of Portugal

5%

of the projects supported by PSI are in the Algarve

¹ Portugal Social Innovation, 2021

Recommendation 1.2

Promote partnerships that boost local and regional development by creating networking settings for SIEI promoters and investors

Innovation

Promoting partnerships requires access to up-to-date information about the ecosystem as well as the possibility of interacting with other players that share similar interests or challenges.

PSI provides information on the work it develops to promote social innovation in Portugal through the Interactive Social Innovation Map. It is important to broaden the scope of the information that is provided to cover the activity of all ecosystem players and other content relevant to social innovation. For instance, national and international best practices, enablers and obstacles in applicable legislation, case studies about new funding instruments, and studies targeting the ecosystem.

PSI should create and promote online theme-based forums. Such forum would provide an opportunity for ecosystem players to share experiences and develop partnerships. As an example, the online platform Social Value Exchange in the UK attracts social organisations, investors, and public entities to work together for the benefit of local communities.

The ecosystem can also take advantage of an annual meeting that brings together all its players. The 'Social Innovation Village' event promoted by PSI in 2018 illustrates that.

To this end, PSI should combine efforts with the work already developed by municipalities and social innovation incubators to promote partnerships at the regional and local levels.



Social Value Exchange. Source: <https://www.socialvalueexchange.org/>

Best Practice Example

Social Value Exchange is a non-profit project that operates a platform that promotes partnerships among social organisations, the public sector, and companies. Social sector entities can present their projects and find the resources they need, while companies can maximise their social value and have their efforts valued when contracting with the public sector. In turn, public entities enhance the social value for local communities when contracting with the private sector.

Challenge:

Excessive bureaucracy in the refund request procedures in Portugal Social Innovation(PSI)'s funding opportunities

The excessive bureaucracy in refund request procedures has been pointed out as one of the main challenges when using PSI instruments. Following EU and national regulations, the reimbursement methodology is based on expenses actually incurred. Therefore, projects supported by PSI have to regularly show evidences of where and how they allocated the expenditure of the funded projects.

As a result, beneficiary entities face a heavy reporting burden. At times, they incur in additional expenses that are not considered eligible under the funding. In addition, late payments threaten the financial sustainability of the projects or even the sustainability of the entities themselves. All of this discourages both SIEI promoters and social investors from applying for funding opportunities managed by PSI.

Recommendation 1.3

Simplify the refund request procedure through the widespread adoption of simplified cost options and Financing Not Linked to Costs

Scale

Refund requests are facilitated by eliminating the need to submit detailed expense reports and by adopting Simplified Cost Options or Financing Not Linked to Costs methodologies.

The Simplified Cost Options makes it possible to refund expenses according to pre-established methods and amounts linked to the relevant activity. Organizations are exempt from providing evidence of the expenses incurred. The European Commission has promoted this methodology under the European Structural and Investment Funds (ESIF).

Financing not linked to costs links the amount to be refunded to the outcomes achieved, regardless of the expenses incurred. The adoption of these methodologies eases the burden of these entities when submitting refund requests and is adequate for financing instruments such as social impact bonds.

These methodologies have been tested at the national and international levels. We suggest its widespread adoption in the funding of social innovation projects.



TRAINING2WORK. Source: <https://moonop.pt/portfolio-item/training2work>

Best Practice Example

The **Simplified Cost** approach has already been adopted by the European Commission in a pilot project in Portugal called Training2work which aims at increasing the employability rate and promoting the integration of vocational education and training students into the labour market.

Implementation plan

Short Term 2021 - 2023	Medium Term 2024 - 2026	Long Term 2027 - 2030
Strengthen and broaden PSI competencies by creating the National Competence Centre for Social Innovation Lead organisation: PSI <i>Scale</i>		
Simplifying refund request procedures and widespread adoption of the Simplified Cost Options Lead organisation: PSI <i>Scale</i>		
Promoting partnerships that boost local and regional development by creating a networking platform for SIEI promoters and investors Lead organisation: PSI <i>Innovation</i>		



Filipe Almeida, Chairman of the Portugal Inovação Social Mission Structure at the 1st Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 21 October 2021

Photo: Márcia Lessa

Goal

Promoting social entrepreneurship



Context

Social Innovation and Entrepreneurship Initiatives (SIEI) are solutions capable of responding to a social challenge in an innovative, efficient, and effective way, complementing traditional and typified social responses. Typified social responses are responses that meet specific requirements set in national legislation and for which the financial remuneration to be paid by the State is pre-established.

Portugal Social Innovation (PSI) qualifies projects as SIEI when they meet the following cumulative criteria:

- i. Tackle a social problem (current or potential).
- ii. Propose a differentiating solution.
- iii. Have potential for social impact.

Therefore, according to PSI, any legal person regardless of its legal form may be a SIEI promoter, namely social economy entities (cooperatives, associations, foundations, mutuals¹, and *misericórdias*²) as well as private companies (start-ups and other enterprises). For the purposes of the AFI30, we follow concepts of 'SIEI' and 'SIEI promoters' as provided by PSI.

Social innovation has little relevance in the social economy. The 477 entities supported by PSI³ represent only 0.7% of the total number of social economy entities, which is +71,000⁴. Even though social economy accounts for 3% of the GVA⁵, SIEI promoters face funding shortfalls that hinder the implementation of impact projects.

The Final Report of the Ex-Ante Evaluation of the Portugal 2020 Programme Financial Instruments, which was produced by AD&C, suggests that the funding needs for innovation by the social economy amounts to 5-10% of GVA. In this context, the annual social investment funding needs of these sector is estimated to range from €390 million to €1.06 billion⁶. In addition, 'the investment needs in SIEI start-ups range from €152 million to €587.5 million'⁷.

The national social investment ecosystem has enormous development potential. Its growth depends on the modernisation and capacity building of SIEI promoters, amongst others. Through the promotion of an innovation culture and skills of the social economy, it is intended to grow the number of SIEI promoters in Portugal by 2030, reaching at least a total number of 750 promoters.

Target: 750 SIEI

¹ Mutuals or "mutual associations" are a type of social organization where the associates come together for their own social security and protection by sharing income risk and costs.

² *Misericórdias* or "Holy Houses of Mercy" are social organizations with a strict link to the Catholic Church that follow both civil and canon laws.

³ Portugal Social Innovation, 2021.

⁴ CASES, *Conta Satélite da Economia Social*, 2016.

⁵ *Idem*.

⁶ Agência para o Desenvolvimento & Coesão, 'Relatório Final da Avaliação Ex-Ante dos Instrumentos Financeiros de Programas do Portugal 2020', 2014, 49.

⁷ *Idem*, 51.

71,000

social economy entities

477

entities supported by PSI

3%

GVA results from the social economy

€390M to €1,060M

annual investment funding needs of the social and solidarity sector

Challenges and Recommendations

Challenge

Low representativeness of social innovation in the national social economy

The low representativeness of SIEI promoters in the social economy (0.7%, as mentioned above) limits the adoption of more efficient and sustainable solutions to existing problems as well as the adequacy of social policies to current social challenges.

0.7%

representativeness of the entities supported by PSI in the social economy

Recommendation 2.1

Encourage the creation of new social entrepreneurship projects

Innovation

It is urgent to encourage the creation of new SIEI where traditional social responses are not adequately addressing the social problem or where social responses are missing.

Local social innovation incubators (ecosystem intermediaries) have a deep knowledge about the needs of local communities and the limitations of the existing social responses, contributing to the support of the creation of new SIEI. In addition, academia plays a key role in promoting a social innovation culture in civil society, particularly among young people.

Public institutes, which benefit from the proliferation of SIEI as they see social problems solved or mitigated, should fund training scholarships for SIEI promoters to empower teams to set up and scale up SIEI.

Ist Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 21 October 2021

Photo: Márcia Lessa





IES Business School. Source: IES Facebook

Best Practice Example

[IES – Social Business School](#) organises Impact Bootcamps, which are intensive 3-day programmes designed to enable participants to develop new impact initiatives, following a theoretical and practical approach.

Challenge

Most SIEI promoters have capacity-building needs

The difficulty of SIEI promoters in attracting and retaining qualified human resources and their inability to pay for training programmes exacerbate the obsolescence of these entities vis-à-vis the other players in the ecosystem.

Among the main barriers to the growth of social innovation projects in Portugal, the European Commission identified the internal management capacity of these entities¹. In turn, the 2022 study ‘Evaluation of Measures for Promoting Social Innovation’, carried out under the Social Inclusion and Employment Operational Programme (POISE), highlights the following as the main areas of need for capacity building among SIEI promoters: marketing, communication, fundraising, strategy and impact assessment².

Noteworthy among the topics that were mentioned is the fact that building capacity among SIEI promoters in impact management is crucial. Impact management is defined as the process of measuring and assessing the effects that a given action has on society and/or the environment³.

Measuring the effectiveness and efficiency of social responses is crucial to ensuring that SIEI promoters are achieving the desired social and/or environmental outcomes, and to informing strategies to optimise or mitigate positive or negative effects, respectively. Impact management practices also show potential to attract investors and inform public policy. The One Value platform - which presents public investment in various social responses - is a useful tool for organisations to assess the efficiency of their interventions.

Recommendation 2.2

Strengthen capacity building among SIEI promoters

Scale

SIEI promoters need to increase their skills and knowledge in different areas such as digitalization, fundraising, investor relations, management, and, in particular, impact management.

In this regard, strengthening Portugal Social Innovation’s ‘Capacity Building for Social Investment’ instrument should be a priority in the funding period until 2030. Also, the access to self-diagnostic and capacity-building tools should be democratized among social organisations, in order to sustain their organisational strategy.

Capacity-building programmes can have a traditional training format, which can be provided by intermediaries, consultants and/or service providers. The engagement of local social innovation incubators can enhance the success of these actions. Complementarily, an open source portal can be created and streamlined, making available masterclasses and training content relevant to the capacity-building of organisations.

¹ European Commission, ‘A map of social enterprises and their eco-systems in Europe: Portugal’, 2014.

² Programa Operacional Inclusão Social e Emprego, ‘Avaliação das Medidas de Promoção da Inovação Social: Relatório Final, 2022, Vol. I, 50.

³ Global Impact Investing Network, <https://thegiin.org/imm/>.

Implementation plan

Short Term 2021 - 2023	Medium Term 2024 - 2026	Long Term 2027 - 2030
	Encourage the creation of new SIEI Lead organisation: Public Administration, through capacity-building grants	
	<i>Innovation</i>	
Strengthen capacity building among SIEI promoters		
Lead organisation: PSI, through the Capacity Building instrument for Social Investment		
<i>Scale</i>		



Ist Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 21 October 2021

Photo: Márcia Lessa

Goal 3

Launching regulatory initiatives that promote the growth of social innovation in Portugal

Target: three regulatory initiatives

Context

In Europe, the approval of regulatory initiatives that encourage innovation and social investment has been vital in boosting national ecosystems. For instance, in the UK, the Social Investment Tax Relief (SITR), which encourages investment in SIEI promoters by easing the tax burden on investors, has raised over €5.9 million for social investment so far¹. In France, the 90/10 solidarity funds, which were created to channel individual savings funds into the social and solidarity economy, have already benefited promoters in nearly €100 million².

The Portuguese legislative framework favours traditional donations over investments in social innovation projects. According to the Statute of Tax Benefits³, donors can deduct up to 140% of the amount donated for social purposes (up to a maximum of 8/1000 of the donor's income). As an example, a patron who donates €100,000 can report €140,000 in expenses for the purposes of assessing the Corporate Income Tax.

Differently, the only incentive provided for social investors is a tax benefit for investments in SIBs. Under this benefit, social investors may report as an expense up to 130% of the total amount invested in SIBs in each tax period, regardless of any future reimbursement⁴, provided that the legally established limits are met.

Currently, the absence of regulatory initiatives to foster the social innovation ecosystem becomes an obstacle to its development. There is a need to strengthen the regulation in this area in order to tackle the following challenges:

- i. Difficulty in raising private capital for social investment.
- ii. Inadequacy of existing legal forms for social entrepreneurs.
- iii. Lack of public financial resources that can boost the social innovation ecosystem.

New regulatory initiatives focused on addressing these challenges have the potential to expand the social innovation ecosystem in Portugal until 2030.

€5.9M

raised in the UK for social investment

€100M

raised in France for social investment

¹ Gov UK, 2021.

² EVPA, 'National Policy Nexus – Best-Policy Sharing Initiatives: The 90/10 Solidarity Funds', 2017.

³ Decree-Law No. 215/89, of 1 July, which approves the Statute of Tax Benefits.

⁴ Article 19-A of Decree-Law No. 215/89, of 1 July.

Challenges and Recommendations

Challenge

Difficulty in raising private capital for social investment

The Portuguese business sector transfers over €160 million to the social and solidarity sector annually¹. However, the private sector has only invested €19.6 million in SIEI since 2014². The difference between the capital transferred to traditional social responses and that invested in SIEI is partly due to the fact that traditional philanthropy has robust regulatory incentives, while incentives for social investment are insufficient.

¹ Informa – Business by Data, 'Retrato dos Donativos em Portugal: Apoio das Empresas à Comunidade – Sumário Executivo', 2020, 3.ª ed., 2.

² Portugal Social Innovation, 2022. It should be noted that the total amount invested in SIEI since 2014 amounts to €49 million.

³ Decree-Law No. 215/89, of 1 July, subsequently amended.

Recommendation 3.1

Extend tax incentives to promote social investment

Scale

It is essential to extend to SIEI promoters the tax incentives currently available for donations to Private Social Solidarity Institutions (PSSI) and other eligible entities. This initiative will help to raise additional capital for innovative social responses.

It is recommended to extend the current tax benefits available for donations set out in article 62 of the Statute of Tax Benefits³ to all investments in SIEI, regardless of the funding instruments used and the legal form of the promoting entities.

Best Practice Examples

Launched in 2014, the [Social Investment Tax Relief](#) was set up to extend to startups/social enterprises the support available to traditional businesses through the Enterprise Investment Scheme (EIS). The SISR allows individuals to deduct up to 30% of the amount invested in eligible social innovation projects from their taxable income at the end of the year, and to obtain tax exemption on their capital gains.

The [90/10 Solidarity Fund - Les Fonds](#) allocate 5-10% of their assets in eligible social enterprises, while the rest is invested in traditional enterprises, respecting the Principles of Responsible Social Investment. These funds enable the democratisation of social investment, offer social enterprises the possibility of accessing patient capital, and individual pensioners the opportunity to turn their savings into a source of income based on social investment.

Challenge

Inadequacy of existing legal forms to the needs of social enterprises

According to the regulatory definition of 'Social enterprises' provided by the European Commission, social enterprises are entities that, regardless of their legal form, meet the following criteria:

- i. The main goal of their activity is to achieve social or environmental impact.
- ii. They allocate their financial surpluses to social goals.
- iii. They are managed in a transparent, responsible and innovative way, engaging employees, customers and other stakeholders in their activity¹.

In Portugal, among SIEI promoters are entities that comply with the Social Enterprise criteria mentioned above. These entities can take the legal form of social economy entities or of commercial companies, thus, falling within the scope of the framework law for the social economy (Lei de Bases da Economia Social)² or the Commercial Companies Code³, respectively.

However, none of these legal frameworks adequately addresses the challenges faced by social entrepreneurs: which are different from social economy entities due to their revenue-generating business model, and from Commercial Companies because of (i) their primary intent to solve a social problem, and (ii) their additionality when responding to a social problem for which there is no traditional response or the existing responses are inadequate.

To meet the needs of social entrepreneurs, some jurisdictions have created the legal structure of Social Enterprise, although specific elements of the new legal regimes vary. In Italy, social enterprises are prohibited from distributing profits. In other countries, profit distribution is limited, but not prohibited (for instance, Belgium, France, England, among others), whereas in Finland there is no limitation to the distribution of profits by these companies, which are distinguishable from the others due to their social purpose⁴.

¹ European Commission, Social Enterprises, available at https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/social-enterprises_en.

² Law No. 30/2013, of 8 May.

³ Decree-Law No. 262/86, of 2 September, subsequently amended.

⁴ For a detailed analysis of the subject, Domingos Soares Farinho, 'A Sociedade Comercial como Empresa Social - Breve Ensaio prospetivo a partir do Direito Positivo Português', Revista de Direito das Sociedades, 2015.

⁵ Project funded by the Foundation for Science and Technology (FCT/MEC) and ERDF, through the Operational Programme for Competitiveness and Innovation COMPETE 2020. Information about the TIMES project available at www.times.ces.uc.pt.

Recommendation 3.2

Define and implement the most suitable approach for social enterprises in Portugal

Innovation

In 2015, a legislative drafting on a statute for social enterprises was presented, but not successfully enacted. To (re)introduce this topic in the national agenda, CASES published the 'Introductory Study on the legal structure of the Social Enterprise'. In the same vein, the project Institutional Trajectories and Models of Social Enterprise in Portugal (TIMES) analyses the role played by social enterprises in Portugal in addressing social challenges⁵

We highlight the following conclusions from these works:

- There is a plurality of possible approaches to be adopted in Portugal: the creation of a legal status, a label (certification), or a new legal form.
- In the event the structure of the social company is regulated, the Italian regime should be considered as it seems better suited to the national context.
- There is no consensus on whether or not social enterprises should be integrated into the social economy, or even whether they should be considered enterprises.

It is proposed that in a first moment CASES and Eslider continue pursuing the work they are developing in collaboration with other entities to explore this topic further.

Such work should inform the decision on the most suitable approach to meet the needs of social enterprises in Portugal. This decision should be followed by implementation.

Challenge

Small size of public financial resources that can be catalysts for the social investment ecosystem

The Public Administration cooperates with entities of the social and solidarity sector to strengthen the social support provided by signing Cooperation Agreements, transferring to this sector an annual sum amounting to €1.8 billion. This amount is mainly targeted at typified social responses whose intervention models are previously outlined and implemented by Private Social Solidarity Institutions (PSSI).

To date, most of the public funding raised to finance innovative social responses, complementary to social action funded through the Cooperation Agreements, originated from the European Social Fund (ESF) under PT2020. The bulk of this funding comes from the €150 million raised by Portugal Social Innovation(PSI). Although there is an expectation of channelling new funds from the European Union for this purpose - now, under PT2030 - it is imperative to find new sources of public funding that can be allocated to social innovation. By attracting new sources of funding, the idea is for the funding allocated to social innovation to be in addition to the amount transferred in Cooperation Agreements; not competing with it.

To address this challenge, some countries have channelled unclaimed assets kept in dormant bank accounts for this purpose - i.e. accounts that have not been used for a certain time and whose rightful owner cannot be located. In Japan, it is estimated that such assets fund social investment with an annual amount of €660 million¹. In the same vein, the UK has raised over €950 million from dormant accounts for social investment through the Dormant Assets Scheme².

¹ Social Innovation and Investment Foundation, 2022.

² Gov UK 2022

Recommendation 3.3

Enable the use of unclaimed assets, channelling them into social investment

Innovation

Unclaimed assets kept in dormant accounts in Portugal can significantly contribute to meet the funding needs of the social innovation sector.

Decree-Law no. 187/70, of 30 April, establishes the statute of limitations for certain assets relinquished by their owners in favour of the State. According to this Decree-Law, if for 15 years a bank account does not register any operation, the amounts deposited there are considered in favour of the State. However, there is no public information available on these sums.

Inspired by the UK and Japanese models, we suggest the creation of a Commission for Unclaimed Assets in Portugal to reflect on, research, and create the regulatory framework that will allow these amounts to be raised for the social investment ecosystem.

Best Practice Example

The [Dormant Assets Scheme](#) in the UK was launched in 2005 to allow banks and other financial institutions to hand over unclaimed assets kept in dormant account to an authorised fund, which channels them into social innovation projects.



2nd Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 29 June 2022

Photo: MAZE

Implementation plan

Short Term 2021 - 2023	Medium Term 2024 - 2026	Long Term 2027 - 2030
	<p>Extend tax incentives to promote social investment</p> <p>Lead organisation: Ministry of Finance</p> <p><i>Scale</i></p>	
	<p>Outline and implement the most suitable approach for social enterprises in Portugal</p> <p>Lead organisations: Eslider and CASES</p> <p><i>Innovation</i></p>	
	<p>Enable the use of unclaimed assets, channelling them into social investment</p> <p>Lead organisation: Banco de Portugal</p> <p><i>Innovation</i></p>	

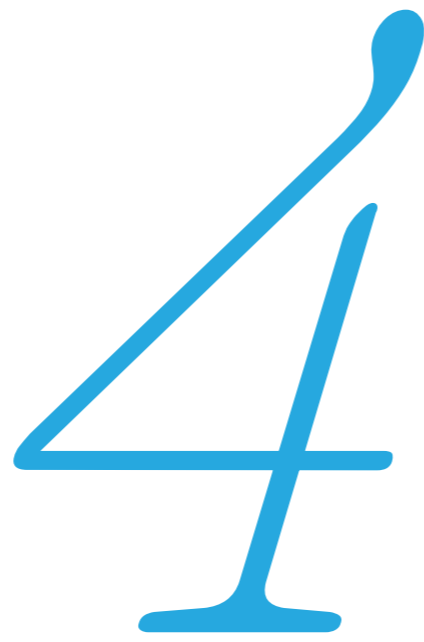


2nd Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 29 June 2022

Photo: Márcia Lessa

Goal

Raising capital for outcome-based contracting and funding



Target: an additional
€150 million

Context

The Public Administration cooperates with the entities of the social and solidarity sector to strengthen the social support they provide. This cooperation is embodied in Cooperation Agreements, which account for around 40% of social sector funding¹.

Traditionally, contracting between the two sectors is based on activities - i.e. social economy entities are paid according to the number of activities they carry out and users involved, regardless of the outcomes (impact) obtained.

Considering the scarcity of public resources, the Government can focus its efforts on funding solutions that prove to be effective in mitigating/preventing social problems, avoiding the assimilation of the risk of experimenting with new solutions. The contracting and/or financing of services based on pre-set outcomes (impact) - outcome-based contracting and/or funding - is presented as a solution to ensure that social sector entities focus on the outcomes of the services they provide. This ensures that public funding is geared towards social support interventions that are effective and efficient in implementing their responses.

To achieve this vision, the Public Administration must guarantee the following:

- i. Access to up-to-date data on public investment for each social problem.
- ii. Public entities trained in outcome-based contracting.
- iii. Continued support for successfully tested projects.
- iv. Close collaboration with Portugal Social Innovation on social innovation.

Through coordinated action on these different fronts, the idea is to raise an additional €150 million for outcome-based contracting and/or funding by 2030.

¹ José Manuel Fernandes (coord.), 'A Economia Social em Portugal: Necessidades, Perspetivas e Fontes de Financiamento', 2016, 49.

Challenge

Lack of access to current data on public investment in social responses

The need to share quantitative data on public expenditure was identified in 2015 by the Portuguese Working Group for Social Investment¹. The idea was to create a public platform to inform public investment in social responses and to evaluate their efficiency.

The result was the creation of [One Value](#) — an open-access portal that gathers and systematises information on public investment in +50 priority social responses of public policy in the areas of Social Protection, Education, Health, Employment and Vocational Training, and Justice.

The dissemination of outcome-based contracting depends on updates to the unit values available to inform the amount to be paid based on outcomes, which should depend on the estimated amount saved by the Government in their resolution/mitigation.

Recommendation 4.1

Activate and update the One Value platform

Scale

It is necessary to (re)activate and update One Value to publicise outcome-based contracting. As part of the Advisory Board's work, the reactivation of One Value has been a priority on two fronts:

- i. Coordination with the public sector to update public policy indicators, values and priorities.
- ii. The simplification of the Potential Savings Estimate Calculator — a tool which calculates the potential financial impact that a SIEI can generate in addressing a social problem, compared to expenditure on traditional responses.

It is essential that the public entities responsible for each subject area ensure that the data made available are updated at least every two years.



One Value Platform . Source: <https://onevalue.gov.pt/>

Challenge

Lack of competences related to outcome-based contracting

The adaptation of the Public Administration to outcome-based contracting requires a cultural change and the adoption of adequate tools. Public entities need to develop new skills to apply this approach to contracting with the social and solidarity economy sector.

This need had already been identified in 2015 by the Portuguese Working Group for Social Investment¹ and reinforced by the same group in 2018².

In 2019, in response to this need, the Calouste Gulbenkian Foundation, together with Portugal Social Innovation (PSI), promoted the training programme 'Academia de Resultados', aimed at training managers and senior technicians working in the Public Administration on this subject to make them agents of change for an outcome-oriented culture. Despite this effort, there are still needs in this area.

Recommendation 4.2

Train and empower public entities on the subject of outcome-based contracting

Scale

It is recommended that training and capacity-building actions be developed for managers and technicians working in the central and local Public Administration (including inter-municipal entities) on the subject of outcome-based contracting and social innovation.

Capacity-building programmes can adopt various formats, depending on the needs of the entities involved: it is possible to further the tested model of 'Academia de Resultados', which is open to various entities, and/or test a more personalised theoretical-practical approach adjusted to each theme-based area of public policy.

¹ Grupo de Trabalho Português para o Investimento Social, 'A Blueprint for Portugal's Emerging Social Investment Market', 2015, 31.

¹ *Idem*, 24

² Grupo de Trabalho Português para o Investimento Social, 2018, 16.

Best Practice Example

The [Government Performance Lab](#) was launched in the United States of America to support public entities in developing SIBs. It's a 12 to 15-month programme dedicated to guiding public partners in programmatic, financial, regulatory and contractual progress related to outcome-based commissioning.

Government Performance Lab Logo →

Government Performance Lab. Source: <https://www.hks.harvard.edu/faculty-research/policy-topics/public-leadership-management/performance-specialists-government> ↓



Challenge

Lack of mechanisms to ensure the continuity and sustainability of successfully tested Social Innovation and Entrepreneurship Initiatives (SIEI)

A successfully social innovation project must have the following elements:

- i. Alignment with public policy priorities.
- ii. Full compliance with previously established social or environmental outcomes (impact).

As such, a SIB that targets a public policy priority topic and that achieves the expected social or environmental outcomes at the end of the project should be considered successful. The lack of continuity of successful projects threatens the sustainability of social innovation.

In 2015, the Organisation for Economic Cooperation and Development (OECD) highlighted the difficulty of project continuity as one of the biggest challenges to exploring the full potential of SIBs¹. In Portugal, the collaboration of SIEI promoters and investors with the public sector also falls below expectations. This situation is mainly due to the lack of engagement of the latter in designing and implementing projects and its lack of commitment to ensuring the continuity of successful projects.

To date, none of the successful SIBs have been given continuity. This situation demonstrates the need for a collaboration and coordination between the various actors involved - investors, Public Administration, Portugal Social Innovation and SIEI promoters – to give continuity to projects proved effective and efficient in achieving outcomes.

¹ Organisation for Economic Co-operation and Development, 'Social Impact Bonds: Promises & Pitfalls', 2015.

² On new financial instruments, see AFI30 Goal 5.

Recommendation 4.3

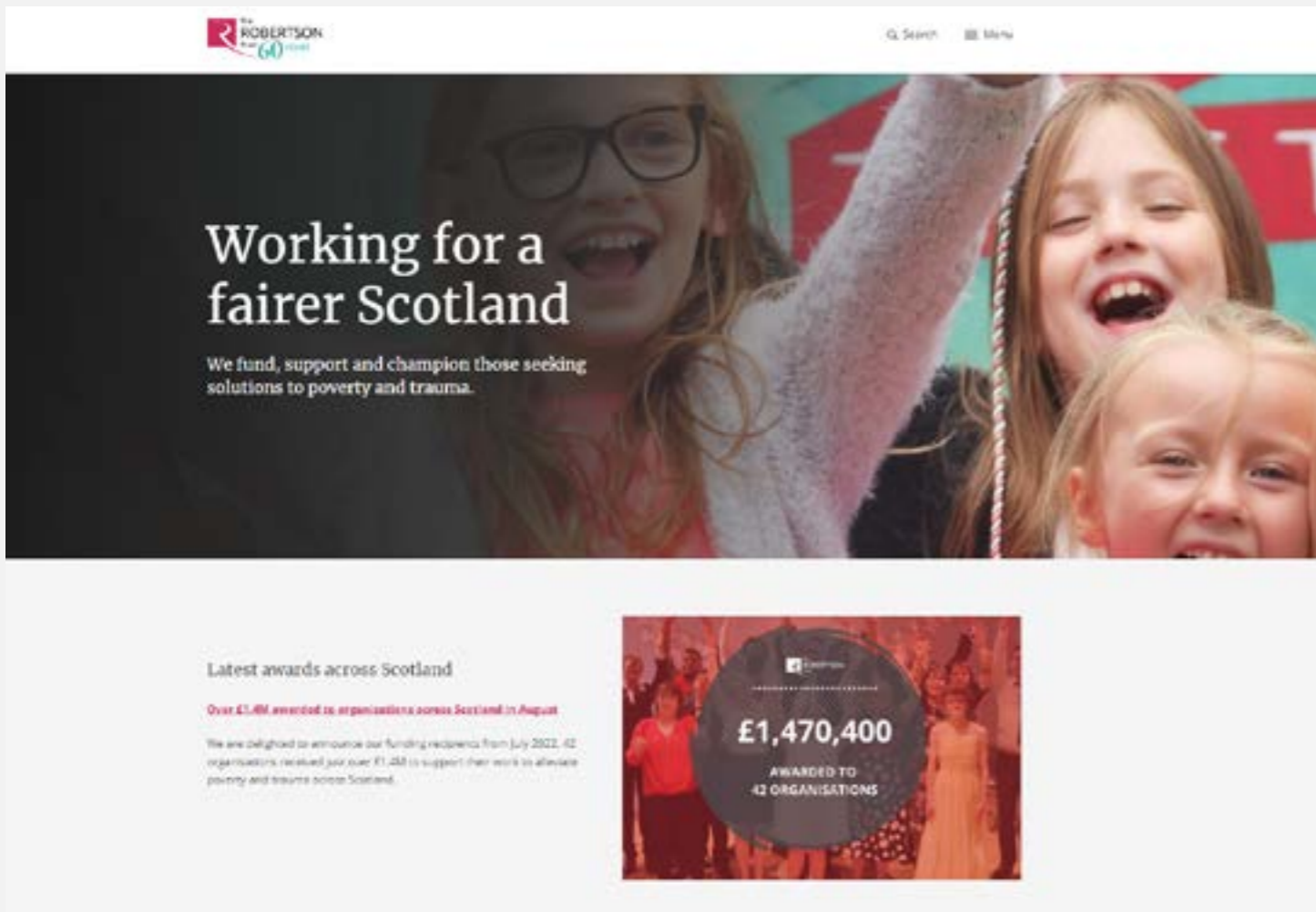
Ensure the continuity of new and successful social innovation projects from public sector entities

Innovation

To ensure the sustainability of social innovation, we recommend the definition of a clear path so that promoters of new SIEI can account for the possibility and potential of scaling up successful innovative projects.

The continuity of a successful social innovation project, regardless of the financing instrument used to test it, should have a clear path that offers an answer to the following questions:

- Which public entity is responsible for ensuring the continuity of the projects approved in each subject area?
- What must be ensured by the promoter to scale up the project or integrate it into a standardized public policy?
- What financial instrument can be adopted to ensure the commitment of the Public Administration in giving continuity to the project and its temporal sustainability?²



Social Bridging Finance. Source: www.therobertsontrust.org.uk/our-projects/social-bridging-finance/

Best Practice Examples

The [Social Bridging Finance](#) (SBF), developed by the Robertson Trust in Scotland, invites investors to waive their rights of recovering their investments in projects that achieve the pre-established outcomes, provided that the public entity undertakes to channel the reimbursement amount into the project's continuity, incorporating it into public social responses.

The [Performance and Innovation Unit](#), set up in the UK in 1998, aims to address the Government's need to establish a long-term public policy strategy, as well as to identify better ways of implementing successful policies across public agencies and departments.

Challenge

Difficulty in disseminating, promoting, and sharing social innovation practices among Public Administration entities

The adoption of social innovation practices and the promotion of SIEI by the Public Administration are vital for the greater efficiency and effectiveness of the public services provided.

In addition, the public sector is an important source of funding for SIEI at local level. For instance, Municipalities invested 30.1% of the total social investment mobilized to SIEI supported by Portugal Social Innovation (PSI).

However, Public Administration entities do not have a culture of sharing experiences on social innovation with other public entities, having little understanding of the internal practices of each relevant entity. This challenges of disseminating, promoting, and experience sharing, prevents SIEI supported by the Public Administration from becoming widely known.

As there are no effective communication and engagement channels, social innovation practices and SIEI go unnoticed not only by public entities responsible for monitoring social responses but also by those that should be responsible for their continuity.

Recommendation 4.4

Create a programme of Public Administration representatives within Portugal Social Innovation (PSI)

Innovation

To foster the dissemination, promotion, and experience sharing of the social innovation practices among Public Administration entities, we suggest the creation of a programme of Public Administration representatives within PSI.

PSI is responsible for the direct and sustained engagement of all relevant public and private entities in the promotion of social innovation in Portugal. Thus, PSI serves as a platform for engaging the Public Administration in social innovation. Despite having a team exclusively dedicated to the pursuit of its goals, PSI does not have the resources to nurture a strict collaboration with the various Public Administration entities.

Therefore, it is recommended that each Public Administration entity working in a subject area relevant to social innovation assigns a human resource from its team to be exclusively dedicated to social innovation. Said team member would be working with the PSI's team, bridging PSI's activity with the work of the public entity concerned. For example, the Social Security Institute (Instituto da Segurança Social, I.P.) would assign a person for a set period of time to be fully dedicated to working with the PSI's team, promoting collaboration opportunities and disseminating social innovation practices within the institute.

By regularly sharing relevant information and having human resources fully dedicated to this agenda, it is possible to promote social innovation practices within the Public Administration.

Implementation Plan

Short Term 2021 - 2023	Medium Term 2024 - 2026	Long Term 2027 - 2030
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Activate and update the One Value platform

Lead Organisations: PSI, MAZE, and Public Entities responsible for key priority areas of public policy

Scale

Train and empower public entities on outcome-based commissioning

Lead Organisations: CGF, INA, Lab X, and MAZE

Scale

Ensure the continuity of new and successful social innovation projects from public sector entities

Lead Organisations: Public Administration, AD&C, and PSI

Innovation

Create a programme of Public Administration representatives within PSI

Lead Organisation: Ministry of the Presidency

Innovation



2nd Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 29 June 2022

Photo: Márcia Lessa

Goal 5

Mobilising social investors and increasing the amount invested in social innovation in Portugal

Target: 1700 investors and €200 million raised

Context

The opportunity to combine social and/or environmental impact with financial return has attracted many investors to social investment in recent decades. This market mobilizes €675 billion at the global level¹.

The diversified offer of financial instruments has enabled investors to accommodate their risk profile to social investment. Over 2/3 of investors were attracted by rates of return equivalent to those available in the financial market, while 15% preferred investments with a return close to capital preservation². This model's success is illustrated by the level of achievement and exceeding of investors' impact and financial expectations (99% and 88%, respectively)³.

Despite the successful outcomes, social investment in Portugal is not very significant. Looking at Portugal Social Innovation (PSI) figures alone, since 2014 €49 million has been invested in impact, with the main investors being companies (€29.6 million) and municipalities (€15.2 million)⁴. However, the amount raised in social investment by companies represents only 2.3% of the €160.8 million transferred annually by the business sector to the social sector through traditional donations⁵. Impact investment by private funds is estimated to be around €50 million.

The difficulty in attracting private capital for social investment in Portugal is mainly due to the inadequacy of available financial instruments to accommodate the different risk strategies of (potential) investors. Therefore, it is essential to adopt risk reduction mechanisms to raise more private capital for the social investment ecosystem. To complicate matters further, there is not sufficient information available on the potential of social investment to generate both impact and financial return.

By 2030, we aim to double the number of investors, reaching 1700 social investors in Portugal (companies, municipalities, foundations, and other entities), and to double the amount invested in impact, reaching the €200 million, excluding PSI's investments.

€675,000M
global social investment market

¹ Global Impact Investing Network, 'Annual Impact Investor Survey 2020', 2020, xiii.

² *Idem*, 20.

³ *Idem*, 59.

⁴ Portugal Inovação Social, 2021.

⁵ Informa – Business by Data, 2020, 2.

Challenge

Inadequacy of the existing financing instruments to the different risk profiles of investors and SIEI funding needs

Under PT2020, PSI and AD&C have created the following instruments to support SIEI:

- i. Capacity Building for Social Investment: funding for capacity-building programmes for social organisations, through which PSI offers a non-reimbursable pre-defined amount to selected organizations.
- ii. Partnerships for Impact: non-reimbursable co-funding by PSI (70%) and social investors (30%) for the creation, development or growth of SIEI.
- iii. Social Impact Bonds: financing of SIEI in priority public policy areas through which investors, who are responsible for the total financing of the projects initially, are reimbursed by PSI up to the amount invested in case pre-established social outcomes are achieved.
- iv. Social Innovation Fund: an autonomous public fund that provides a set of innovative financial instruments, including (i) guarantees to social economy entities or SMEs, allowing them to access loans to finance the launch of SIEI (FIS Crédito), and (ii) co-investment in equity and quasi-equity operations in social entrepreneurship projects (FIS Capital).

These instruments brought enormous dynamism to the national ecosystem. However, there is potential to improve incentives for private investors, so that they are able to offset the burden of project management, lengthy processes, and the long-term commitment required in this type of investment.

Recommendation 5.1

Create new financial instruments suitable to the needs of SIEI promoters in different development stages of development and to the risk profile of investors

Innovation

We propose expanding the existing financing instruments, creating new ones capable of meeting the expectations of impact or financial return of social investors – both individuals and legal entities – and the needs of the projects supported.

Under PT2030, PSI should create in the short term new financing instruments, adapting new instruments to the needs of the ecosystem players. In addition to the instruments to be promoted by PSI, other entities in the ecosystem – such as social investors – should broaden existing instruments or create new ones in the medium and long terms.

Ideas for new instruments include (i) liquidity products allowing SIEI to meet working capital needs, (ii) guarantee free loans (iii) revenue-sharing mechanisms, (iv) impact investment solutions targeting retail and individual investors (e.g. green savings accounts), and lastly (v) financial solutions that support social investment intermediaries, such as funds and consultants.

Challenge

Lack of knowledge about instruments and social investment opportunities available to potential investors

The significant demand for Capacity-Building and Impact Partnership instruments (14.1% and 37.6% of the initial allocation, respectively) compared to the demand for Social Impact Bonds (83% of the initial allocation)¹ reveals the lack of knowledge about the potential financial return of social investment.

With no intention of replacing traditional philanthropy, it is necessary to clarify to potential investors that social investment offers the opportunity for investors to obtain full reimbursement and/or return on their investment, allowing them to recycle the capital invested in SIEI.

Recommendation 5.2

Strengthen dissemination efforts in order to increase the number of social investors

Scale

We suggest that dissemination efforts on social innovations and investment are strengthened, particularly on the potential and opportunities for social investment in Portugal.

Dissemination channels should be widened to reach the following two segments of business networks:

- i. Those with little involvement with the social innovation and investment agenda, such as CIP - Confederation of Portuguese Industry, IAPMEI - Agency for Competitiveness and Innovation, COTEC Portugal, among others.
- ii. Those working in social innovation and investment, such as the Business Council for Sustainable Development (BCSD Portugal), B-Corp Portugal and GRACE - Association of Responsible Companies.

A new dissemination strategy should explore social media channels to share best practices in social innovation or to create content on this topic frequently, highlighting the role played by social innovation in the different public policy areas and the engagement of the different ecosystem players².

Any initiative to create content on social innovation should be coordinated with the work carried out by PSI activity on the aggregation and dissemination of up-to-date information about the ecosystem³.

¹ POISE, 'Avaliação das Medidas de Promoção da Inovação Social - Relatório Final', 53.

² University of Aveiro, 'Estudo do Ecossistema de Inovação Social em Portugal', 86.

³ On this subject, see AFI30 Recommendation 4.2.

Implementation plan

Short Term 2021 - 2023	Medium Term 2024 - 2026	Long Term 2027 - 2030
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Create a catalogue of financing instruments suited to the needs of projects at different development stages and to the risk profile of investors

Lead organisations: PSI and social investors

Innovation

Strengthen dissemination efforts to increase the number of social investors

Lead organisations: PSI and Corporate networks

Scale



2nd Plenary Session of the Advisory Board, Calouste Gulbenkian Foundation, 29 June 2022

Photo: MAZE

Conclusion

AFI30 presents 14 specific recommendations to be implemented by the main players in the social investment ecosystem in Portugal by 2030. These recommendations are measurable and for each one an implementation deadline is suggested and the entities that are best positioned for its implementation identified.

Out of the 14 recommendations presented, 7 intend to strengthen existing initiatives, increasing their scale and expanding their scope. The other 7 are innovative recommendations, promoting the experimentation of new initiatives. The recommendations considered in the AFI30 have the potential to contribute towards developing the social innovation and investment ecosystem in Portugal in the following dimensions:

1. **Renew the financial allocation of €150 million for social innovation**, including the creation of a NCCSI, fostering the adoption of the financing instruments promoted by Portugal Social Innovation (PSI) through further simplification of processes.
2. **Mobilize at least 750 SIEI promoters in Portugal.**
3. **Strengthen the capacity building among SIEI promoters**, particularly on digital transition, impact measurement, and raising capital for social innovation.
4. **Implement a solution for social enterprises.**
5. **Mobilize Unclaimed Assets for social innovation and investment**, increasing the capital available.
6. **Raise an additional €150 million for outcome-based commissioning and financing**, in addition to the annual amount transferred under Cooperation Agreements.
7. **Have at least 1700 social investors** in the national ecosystem.
8. **Raise at least €200 million for investment** from the private sector.

Together, the AFI30 recommendations have the potential to mobilize around **€500 million** for social innovation and investment in Portugal, **tripling the current market** size.

Efforts in raising capital must be complemented by regulatory initiatives, ecosystem capacity-building and information dissemination, as mentioned in the remaining recommendations presented in the AFI30.

Until 2030, Portugal should capitalise on all the work done in the last seven years, while innovating by testing new financial and non-financial instruments in the promotion of social innovation. Considering the country's size, openness to innovation, and collaborative practices between the public, private, and social sectors, Portugal has a unique opportunity to put social innovation and investment to the service of social challenges and affected communities. Thereby, Portugal can mitigate or solve social challenges through innovative solutions, improve the quality of life of the targeted population, while serving as inspiration for other countries that want to replicate similar approaches.

2030 AGENDA FOR IMPACT

Advisory Board of the National Competence Centre for Social Innovation

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