



Portuguese Social Investment Taskforce

Minutes for third plenary session – 6 February, 2015

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EXECUTIVE SUMMARY

The present document is intended to summarize the third plenary session of the Portuguese Social Investment Taskforce, which was convened by the Calouste Gulbenkian Foundation with the support of Social Investment Lab and Social Finance UK. The meeting took place on the 6th of February, at 9 am, at Calouste Gulbenkian Foundation. It aimed at gathering all the Taskforce members to discuss a proposal for the final recommendations made by the support team, based on the analysis of the Portuguese social investment market priority areas.

This document summarizes the following points:

- Introductory notes, in which the Portugal Social Innovation was introduced by its President, Filipe Santos;
- Explanation about the interactive format of the session;
- Summary of the group discussion about each recommendation;
- Presentation of the work plan and methodology for the following months.

The support team has previously sent on to the members some materials for them to prepare the meeting. The materials included the analysis of the nine priority areas set the subgroups in previous meetings, as well as a set of recommendations put forward by the support team. The recommendations were considered as a starting point for the group discussion, in the plenary.

This third plenary meeting took a dynamic format in order to promote the participation of the members in the discussion. A live voting system was used, so that all the participants had the chance to express their vision on key issues related with the social investment market development, in Portugal.

According to the voting results and their subsequent discussion, it can be concluded that overall the group has agreed with the set of recommendations suggested, except for one. The taskforce considers that capital mobilization to the social sector will not be promoted through fiscal incentives. Instead, it will occur by building confidence in the sector, through the launching of pilot projects that build a track record and generate evidence.

Hence, the approved set of final recommendations is the following:

- 1. Promote evidence and outcome-based commissioning of social services by public sector representatives;**
- 2. Build resilient and specialist intermediaries who help connecting investors, public commissioners and social organisations;**
- 3. Create capacity-building programmes for social organisations that improves their ability to deliver outcomes and their capacity to attract and secure social investment;**
- 4. Develop financial instruments that are suitable to finance social innovation, adapted to the Portuguese context;**
- 5. Develop an online knowledge centre and toolbox that provides relevant and accurate information about social investment;**
- 6. Development of a market-appropriate accreditation system for social organisations.**

During the next months the support team will be consolidating the analysis of each recommendation and developing a respective action plan. The action plans will reflect different priorities for the different stages of the market development.

The work plan for the following months will include the collection of qualitative information, through individual meetings with each of the taskforce members and through four thematic focus groups gathering relevant market stakeholders. These two action streams will serve to consolidate the final recommendations and their respective action plans. Meanwhile, the support team will be preparing the final report; the first draft will be discussed in the next plenary meeting (May, the 8th) and the final version will be presented on the 25th of May, in a public event.

This document is confidential. Please, do not share.

THIRD PLENARY SESSION OF THE PORTUESE SOCIAL INVESTMENT TASKFORCE

ATENDEES

Portuguese Social Investment Taskforce members:

Ana Paula Serra, *Porto Business School (Business School)*
Ana Vidal, *Portugal Economy Probe (Data and Research Centre)*
António Brandão de Vasconcelos, *EVERIS (Consultancy Firm)*
António Curto, *CASES (Public Body Responsible for representing the third sector)*
Daniel Traça, *NOVA School of Business and Economics (Business School)*
Domingos Farinho, *Institute of Juridical-Political Sciences from University of Lisbon (Law School)*
Fernando Amaro, *Montepio (Bank)*
Filipe Santos, *Portugal Social Innovation (Social Investment Fund)*
Gabriela Figueiredo Dias, *CMVM (Financial Regulator)*
Graça Fonseca, *Municipality of Lisbon (Local Public Sector Entity)*
Joana Story, *NOVA School of Business and Economics (Business School)*
João Amaral Tomaz, *Bank of Portugal (Central Bank)*
João Pedro Tavares, *Accenture (Consultancy Firm)*
Jorge Portugal, *Civil House for the Presidency of the Republic (President's Intelligence Advisory Board)*
Nuno Fernandes Thomaz, *Bem Comum Fund (Social Investment Fund)*
Patrícia Faro Antunes, *Accenture (Consultancy Firm)*
Paula Correia, *CASES (Public Body Responsible for representing the third sector)*
Paulo Amorim, *Montepio (Bank)*
Rita Valadas, *SCML (Public body responsible for distributing funds raised by the 'National Lottery')*
Sandro Fonseca, *EDP Foundation (Foundation)*
Sílvia Almeida, *Social Stock Exchange (Social Sector Financing Initiative)*
Tiago Ravara Marques, *BPI (Bank)*
Tommaso Ramus, *Católica- Lisbon School of Business and Economics (Business School)*
Vasco Monteiro, *Portugal Economy Probe (Data and Research Centre)*

Calouste Gulbenkian Foundation:

Isabel Mota (Foundation's Trustee)
Luís Lobo Xavier (Gulbenkian Human Development Program)
Luís Jerónimo (Gulbenkian Human Development Program)
Francisco Palmares (Gulbenkian Human Development Program)

Social Finance UK:

Jane Newman
Daniel Miodovnik

Laboratório de Investimento Social:

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| António Miguel | Rita Casimiro (SIB researcher) |
| Pedro Sampaio | João Santos (SIB researcher) |
| Joana Cruz Ferreira | Duarte Carmo Garcia (SIB researcher) |
| Yuka Manabe (<i>intern</i>) | Sara Guerreiro de Sousa (SIB researcher) |

1. INTRODUCTORY NOTES

The third plenary meeting of the Taskforce aimed at gathering all the members to discuss and think over the set recommendations proposed by the Social Investment Lab and Social Finance UK to catalyse the social investment market in Portugal.

In representation of the Calouste Gulbenkian Foundation, the trustee – Isabel Mota, opened the session and welcomed the group. She thanked all the members for the active participation during the past months and challenged them to keep contributing to edify social investment in Portugal.

The professor Filipe Santos has posteriorly taken the word to present the initiative that he is leading since January 2015 – Portugal Social Innovation. Portugal Social Innovation is an independent entity created by the Portuguese Government, which aims at promoting the ecosystem of social innovation, through social investment. It will be endowed with 150 million euros from European funds, under the scope of the partnership “Portugal 2020”.

INTERACTIVE FORMAT OF THE MEETING

The support team prepared the analysis of the nine priority areas set by the Taskforce, with the aim of informing the members’ discussion about the recommendations. These recommendations will be presented in June 2015, in a public event. They must be articulated with other initiatives, project and efforts existing in civil society. The final recommendations envision the creation of favourable conditions to catalyse a social investment market that finances social innovation and promotes the creation of value to society.

The analysis conducted has been previously sent on to the members, alongside with a set of recommendations proposed by the support team. Previous to the meeting, the members were asked to provide feedback on the materials sent, by filling in an online form created for the Purpose.

In order to promote an active participation of all the members over the discussion of the recommendations, the plenary meeting had a different dynamic. The session was conducted through a live voting system, through which it was asked to the participants to express their vision about key-questions for the development of the market. An iPad featured with Poll Everywhere app has been distributed to each member.

With the intention of illustrating each recommendation and of transposing it to a micro level, the questions posed to each member and their respective answer options were formulated over a real case study. The chosen case study was “Academia de Código Júnior” for being a project that the Lab, Social Finance and Calouste Gulbenkian Foundation know very well and also for representing the first social investment project in Portugal.

In total, six questions were posed. At the end of three questions, the voting results were assessed, a parallel with the potential recommendations were made and the members discussed their relevance.

2. DISCUSSION OF THE RECOMMENDATIONS PROPOSED

This section aims at summarizing the discussion of the members over each of the recommendations proposed by the support team, after analysing the priority areas.

1. Promote evidence and outcome-based commissioning of social services by public sector representatives;

The taskforce acknowledges the importance of existing several possible forms of commissioning social services in Portugal, ranging from direct and upfront payment to outcome-based commissioning. As this last form represents a significant shift from the current way of operating of Portuguese social organizations, the members deemed sensible to consider the development of hybrid models that

combine both extremes and that make this an evolution that is easier to go through. The members have agreed that the applicability of each commissioning form must be carefully considered in each situation, since it varies with the interests of the stakeholders involved and the objectives of the given project (and that must be set and considered from the beginning).

The pilot project “Academia de Código Júnior”, financed through an outcome-based model, has been acknowledged as a useful source of learnings. The participants believe that these projects must be used to test different intervention models and that the lessons acquired along the way must serve to inform the design and set up of programs that will be taken to larger scale.

Since outcomes-based commissioning has been serving different purposes in different countries, according to the social sector maturity, the members debated its usefulness in Portugal. In the UK, for example, outcomes-based commissioning is used to test social innovations with some evidence that helps building some hypothesis and to set the targeted outcomes. Differently, in the United States, the so-called *payments by results* are used to scale interventions whose the results have been rigorously validated and that have already generated a track record. The Taskforce agrees that, in Portugal, outcomes-based commissioning will be used to create the evidence that does not exist in the sector.

2. Build resilient and specialist intermediaries who help connecting investors, public commissioners and social organisations;

The voting results suggested that the group acknowledges the importance of promoting the rise of intermediaries for the social investment. Nonetheless, members think that the role of intermediaries shall vary from project to project, and according the development stage of the market. Intermediaries must position themselves wherever there are market gaps to be filled. In an initial phase, it will be crucial that they provide support to the different players involved in a project, commissioners, social organizations and social investors.

3. Create capacity-building programmes for social organisations that improves their ability to deliver outcomes and their capacity to attract and secure social investment;

Given that resources are scarce, if priorities were to be set, operational skills would be ranked at the top of the social organizations most needed competence. The group thinks that social organizations must be build their capacity to understand the nature of the social problem that they address or develop a business plan or to demonstrate and report results.

However, the members acknowledge that the sector needs go beyond these, so that it is imperative that capacity-building programs also cover other topics, such as the development of financial skills, (eg. to understand the structure of costs of an intervention or to set an adequate financing mechanism for it), the development of business model competences (eg. to do strategy and expansion plans and to undertake a long term human resources planning), to manage and report their performance in a rigorous manner (eg. implementing systems and processes to collect and treat information) and evaluation methodologies (eg. to include the use of control groups).

4. Develop financial instruments that are suitable to finance social innovation, adapted to the Portuguese context;

The discussion around this recommendation was centred on the participants’ answers about the different forms of financing social innovation that, apart from Social Impact Bonds, should be tested in

Portugal. It can be concluded that the Taskforce understands that a wide variety of mechanisms must be tested, such as: 1) a combination of financial support(through grants) and non-financial support (capacity building oriented), for long-term period of time, along with the establishment of objectives and intended results, taking a venture philanthropy approach; 2) an hybrid of grants and debt/equity model that offers flexible conditions, aiming at meeting the needs and the capacity of each organization; and, 3) direct investment in social organizations, namely through the acquisition of part of the organizations capital or through quasi-equity models, in which the funder is entitled to part of the future revenues of the invested organization.

The group believes that each initiative or organization has its specific and singular financing needs, so that variety in financing products shall be promoted. It considers that all the mechanisms that will be tested must incentivize an outcome-oriented culture within the social sector.

5. Consider fiscal and mass-participation incentives that contribute to mobilising more financial and non-financial resources to the social sector.

This recommendation proposed by the support team does not reflect the vision of the Taskforce members, so that it won't be part of the final list of recommendations to construct a social Investment market that the group will present.

The Taskforce believes that, in such an early stage, the key factor to mobilize capital under a social investment logic does not include the creation of a set of fiscal incentives to such practice. Instead, the generation of a track record of social projects and the construction of a solid base of evidence on the efficiency and efficacy of interventions must be promoted. It is the groups' view that not only traditional investors but also new investors will be more attracted to this social investment market as the capacity of the social sector to prove the value itself creates grows. According to the participants, catalysing a social investment market requires the existence of a track record of project pilots capable of demonstrating the results they achieve through rigorous and reliable methods.

In this sense, it has been highlighted that only the UK, a much more mature market, has recently implemented a set of fiscal benefits for certain social Investment practices; so that no results on its efficacy exist yet.

6. Develop an online knowledge centre and toolbox that provides relevant and accurate information about social investment;

The members have acknowledged the need to create an information centre that includes a unit cost database. The importance of establishing the conditions to estimate the economic value of social interventions has been highlighted. This calculation is deemed indispensable to inform any investment decision that has a double bottom line.

7. Development of a market-appropriate accreditation system for social organisations.

The members' interest in creating a system that facilitates the identification of social organizations with good performances was unanimous. According to them, the market needs a system that naturally keeps

the social organizations with worse performances away, to assure that the mobilized capital is allocated efficiently within the sector.

Other relevant points:

- The Taskforce considered that it was relevant to clarify that the final recommendations should represent the change that the group would like to see happening in Portugal and for which the members should align their efforts towards.
- The Taskforce acknowledges that the final recommendations must be *action oriented* and reachable to group.

3. WORKPLAN AND METHODOLOGY FOR THE NEXT MONTHS

The following work months will focus on the construction of a final set of recommendations for the creation of favourable conditions to catalyse an efficient social investment market in Portugal.

During the following weeks, the Social Investment Lab and Social Finance UK will finalize the recommendations set and their respective action plans.

In this sense, four focus groups will be promoted in order to collect more qualitative information about the market from relevant stakeholders, which will be used to consolidate the design of final recommendations and therefore to inform the final report. The four focus groups' themes have been previously set by the Taskforce sub groups and validated in plenary. They will take place in the beginning of April, in both Lisbon and Oporto. The members will be asked to validate the participants' list to be invited to each session. The Lab will inform the Taskforce about the dates and locations of each session in advance. All the members will be invited to participate.

Besides this, the Lab will contact each member in order to schedule an individual meeting. These meetings will aim at collecting feedback to the final set of recommendations and key issues related to it, in order to further integrate the vision of each member in the final report. These meetings shall take place in April; dates will be set according to the availability and interest of the members.

Posteriorly, the support team will write the first draft of the report. This version will be send on to the Taskforce members before the next and last plenary meeting, on the 8th of May, where the document will be discussed.

On June, 25th, the final report will be presented in a public event that is being planned to take the format of an international forum of social investment. On this date, the Taskforce will gather once again to present its work and to announce what are its recommendations to build an efficient social investment market in Portugal, as well as their respective action plans.