Using National Investment Funds to Build a **Social Impact Investment** Market: Mobilising Public Capital in **Spain** and **Portugal**

TIER 3

Partner

Why this case matters

This case shows how governments can use national investment funds as a policy tool to mobilise private and philanthropic capital for social impact. Rather than relying solely on grants, Spain and Portugal demonstrate how public capital can be structured to build and scale domestic social investment markets, particularly in contexts of fiscal constraint.

Spain and Portugal's stories of change

Spain and Portugal's social impact funds emerged in response to a shared structural challenge: rising social needs combined with constrained public finances, particularly following the 2008 financial crisis and the European sovereign debt crisis.

In both countries, traditional grant-based approaches were insufficient to scale responses to complex social and environmental challenges. Social innovation ecosystems were fragmented, social-purpose organisations often lacked investment readiness, and private investors were hesitant to engage due to perceived risks and limited market infrastructure.

Relevant EE Guide recommendations

This case illustrates the following recommendation in practice:

- **Rec. 12:** Promote multi-stakeholder partnerships for national priorities

Policy lever

Government-capitalised national investment funds deploying repayable and blended-finance instruments to build a domestic social investment market.

Policymakers therefore began exploring repayable and performance-oriented financing mechanisms as a way to improve capital efficiency, strengthen accountability and mobilise additional sources of funding. Crucially, these instruments were framed not as substitutes for public services but as complementary tools to support innovation and crowd in private capital, which helped secure political legitimacy and stakeholder buy-in.

Portugal and Spain followed different pathways, each shaped by timing and institutional context. Portugal acted earlier, using European Social Fund (now European Social Fund Plus) resources after the sovereign debt crisis to build a social finance ecosystem from a low base, first by launching the umbrella Portugal Inovação Social (PIS) and, later, adding the Fundo para a Inovação Social ("Portugal FIS") as an instrument. Spain acted a decade later, creating the EUR 400 million Fondo de Impacto Social ("Spain FIS") in 2024 through an addendum to its national Recovery, Transformation and Resilience Plan (PRTR).

Since its launch in 2014, PIS has mobilised EUR 152 million, supporting 698 approved projects. By February 2026, Spain FIS had approved 20 operations totalling EUR 230 million, around 58% of the EUR 400 million envelope.

Together, these cases illustrate how governments can complement grant-based models with repayable and outcome-based instruments to actively shape and develop domestic social investment markets through structured public financial instruments.

Country snapshot: Spain and Portugal

	Portugal	Spain
Country overview:	▸ High-income EU member state with an open philanthropic environment ▸ Global Philanthropy Environment Index (GPEI) Score (2025): 3.41/5	▸ High-income EU member state ▸ Global Philanthropy Environment Index (GPEI) Score (2025): 3.89/5
Intervention type	▸ Portugal Inovação Social (PIS), a government mission structure launched in 2014, deploying EUR 152 million of European Social Fund (ESF) resources through four main financing instruments, including Fundo para a Inovação Social ("Portugal FIS"), established in 2018	▸ A EUR 400 million evergreen national fund established in 2024 and managed by COFIDES, financed through NextGenerationEU resources under Spain's Recovery, Transformation and Resilience Plan (PRTR)
Outcome type	▸ Development of a domestic social investment market from a low base, with a focus on investment readiness, outcomes-based financing and ecosystem development ▸ Since its launch in 2014, PIS has mobilised EUR 152 million, supporting 698 approved projects	▸ Scaling of an existing but underdeveloped impact economy, addressing the "missing middle" in financing and crowding in private institutional capital ▸ Active deployment underway: by February 2026, Spain FIS had approved 20 operations totalling EUR 230 million, around 58% of the EUR 400 million envelope
Key challenges/ barriers prior to the intervention	▸ Limited fiscal space for grant-based social spending following the 2011 bailout ▸ Over-reliance on public subsidies to sustain the social sector ▸ Weak financial management and impact measurement capacity among social-purpose organisations, limiting investment readiness. ▸ Limited ability to attract private investors into social initiatives ▸ Absence of public mechanisms to structure co-investment between state and private capital	▸ Fragmented social economy across multiple ministries and regional governments, with no unified financing mechanism ▸ Shallow impact investing market was unable to absorb institutional-scale capital ▸ Insufficient availability of repayable finance for hybrid social enterprises that were too commercial for grants but too mission-driven for mainstream finance ▸ Continued dependence on grant funding among social-purpose organisations limits financial sustainability ▸ Lack of a public anchor investor to crowd in private capital at scale

Portugal: Fundo para a Inovação Social

Introduction: the background

The Portugal FIS was established in 2018 as one of four instruments under Portugal Inovação Social (PIS), financed through EU Structural Funds under Portugal 2020. The programme has supported 698 approved projects and 481 organisations, with co-financing from 848 social investors alongside European Social Fund resources. This co-investor base includes companies, foundations and municipalities, reflecting a key example of multi-stakeholder funding.

The Portugal FIS was designed to strengthen the country's social investment ecosystem through structured, repayable finance. Its architecture represents a shift away from purely grant-based support towards market-based instruments that combine public risk-sharing with private participation, targeting organisations capable of delivering measurable social impact alongside financial sustainability.

Intervention: the what

Both Portugal and Spain shared a common policy logic: using public capital to de-risk transactions and crowd in private investors. However, the design choices flow from each country's starting conditions. Portugal's instrument was built to seed a nascent ecosystem, while Spain's was built to consolidate one already in motion.

	Portugal FIS	Spain FIS
Legal foundation	▸ Established under Decree-Law No. 28/2018 of 3 May 2018 as an autonomous fund (património autónomo), within the Portugal Inovação Social (PIS) framework launched in 2014 ▸ Management transferred from PME Investimentos to Banco Português de Fomento in November 2020	▸ Established in 2024 under Royal Decree 4/2024 as a public fund without legal personality, managed by COFIDES[1]
Financing	▸ Capitalised through the European Social Fund and national co-financing under the Portugal 2020 framework (COMPETE 2020 and AD&C)	▸ EUR 400 million evergreen fund of indefinite duration, with returns reinvested ▸ Financed through NextGenerationEU and embedded in Spain's Recovery, Transformation and Resilience Plan (PRTR)
Origin and design logic	▸ Developed under the Portugal 2020/PIS framework and formally established in 2018 ▸ Designed as a wholesale vehicle, channelling capital through banks and co-investors rather than directly to end beneficiaries ▸ Intended to develop a nascent social investment intermediary market, with social enterprises and SMEs as ultimate beneficiaries	▸ Designed as a large-scale public anchor to address a persistent financing gap for enterprises too large for grants but too risky for commercial capital ▸ Structured with a formal theory of change linking financial additionality to social and environmental impact
Governance structure	▸ General Council: strategic oversight (not involved in individual investment decisions) ▸ Investment Committee: responsible for capital allocation decisions	Three-tier model: ▸ COFIDES: technical due diligence ▸ Independent Expert Panel (PEI): specialised technical validation ▸ Interministerial Technical Investment Committee (CITI): final decision and policy alignment
Manager	▸ Banco Português de Fomento: responsible for operational management and investment analysis	▸ COFIDES: responsible for due diligence, financial structuring, legal, risk, and impact assessment

1 COFIDES is a Spanish public-private entity founded in 1988 that provides financial support for internationalisation, foreign investment and, more recently, national strategic projects. It manages state funds (FIEX, FONPYME, FONREC, etc.) and offers debt and equity to help companies expand abroad or strengthen their solvency, fostering sustainable development and impact investment.

Implementation: the how

Portugal and Spain developed social impact funds with similar objectives but from very different starting points. Portugal's Fundo para a Inovação Social (2018) was established in a nascent ecosystem with few impact investors or intermediaries, requiring the fund to play a market-building role. Spain's Fondo de Impacto Social (2024), by contrast, entered a more developed – though still relatively shallow – impact investment landscape, positioning it to scale an existing market rather than build one from scratch. The table below illustrates how this difference in starting point shapes the design of each fund, including legal form, governance, management, financing and eligible beneficiaries.

	Portugal	Spain
Approach	Creating a new dedicated mission structure and sequenced instruments	Leveraging existing institutions
Strategy	▸ Implemented through Portugal Inovação Social (2014), a government initiative to promote social innovation and develop a domestic social investment market ▸ Initial focus on ecosystem building (capacity, intermediaries, standards) before deploying large-scale capital	▸ Implemented through COFIDES, an existing public financial institution, enabling rapid deployment under Recovery and Resilience Facility timelines ▸ Builds on established public fund management systems, prioritising scale through institutional continuity
Operationalisation and governance	▸ **Financial governance:** Managed by designated public financial institutions (PME Investimentos – later Banco Português de Fomento) with investment committee oversight ▸ **Phased rollout:** Ecosystem and capacity building first, followed by outcomes-based instruments and repayable finance via FIS ▸ **Project qualification:** Initiatives required certification as Social Innovation and Entrepreneurship Initiatives (IIES) ▸ **Structured investment process:** Technical and financial assessment with investment committee approval ▸ **EU-aligned oversight:** Monitoring, reporting and audits aligned with Portugal 2020 and ESF requirements	**Structured governance and monitoring framework:** Investments linked to defined impact indicators and reporting aligned with a formal Theory of Change **SpainNAB Task Force:** The Spanish National Advisory Board for Impact Investment – Spain's national partner in GSG Impact – was responsible for developing the Code of Best Practices for Impact Investment that Spain FIS adheres to, setting the standards for impact measurement and outcome verification across the fund's operations **Three-tier governance model:** ▸ COFIDES: financial and impact assessment ▸ Independent Expert Panel (PEI): technical review ▸ Interministerial Technical Investment Committee (CITI): final veto power and policy alignment

Key actors

- **Portuguese Government/Council of Ministers:** Established legal mandate, governance framework and use of EU/public resources
- **Banco Português de Fomento:** Manages fund operations, financial risk and co-investment structures
- **Portugal Inovação Social:** Provides mission structure and ecosystem-building support
- **Implementers and investors:** Social economy organisations, certified SMEs and private co-investors implement and co-finance recognised IIES projects

- **COFIDES:** Manages the EUR 400 million FIS, including due diligence, structuring, monitoring and compliance
- **Spain National Advisory Board (SpainNAB):** Provides advisory input, convening stakeholders and supporting impact standards
- **Ministry of Inclusion, Social Security and Migration/Secretariat General for Inclusion:** Institutional anchor overseeing policy alignment
- **Interministerial Technical Investment Committee (CITI):** Oversees control, monitoring and final investment approval
- **Independent Expert Panel (PEI):** Provides external technical evaluation of proposals
- **European Union:** Provides catalytic funding via NextGenerationEU and establishes the fiscal framework

Outcomes and early signals of impact

Portugal

The outcomes reflect the broader PIS initiative, of which the Fundo para a Inovação Social is one of four instruments, alongside Capacitação para o Investimento Social, Parcerias para o Impacto, and Títulos de Impacto Social.

- **Capital mobilisation and ecosystem scale:** Since its launch in 2014, Portugal Inovação Social has **mobilised EUR 152 million,** supporting **698 approved projects** and **481 organisations**, with co-financing from 848 social investors, alongside ESF resources. The co-investor base includes private companies, grant-making foundations and municipal governments.

- **Market-building in a nascent ecosystem:** Portugal FIS was created in a context where the social investment market was still underdeveloped, with limited specialised intermediaries and weak access to suitable finance for social innovation organisations. Its contribution was therefore not only financial – it also helped establish the institutional architecture, eligibility rules and investment practices needed for a functioning social finance market.

This provides early evidence of market development, institutional uptake and functional blended finance mechanisms within EU regulatory constraints.

Spain

Spain FIS has been operational for less than two years, so it is too early to assess outcomes in terms of enterprise performance and broader market effects. However, there are early implementation signals worth noting.

- **Rapid operationalisation:** Following its establishment in 2024, the first two operations were approved in mid-December 2024, **totalling EUR 50 million**.

Caveats for policymakers

While the Spanish and Portuguese cases offer useful lessons, as explained below, their application hinges on several contextual enabling environment conditions:

- **Ecosystem preconditions matter:** Both initiatives rested on a foundational layer of enabling conditions: open philanthropic environments, credible public financial institutions (Banco Português de Fomento, COFIDES), supportive legal frameworks for social economy organisations and EU-level governance scaffolding. Not all elements need to be in place from the outset. Other elements, such as specialised intermediaries, project pipeline and impact measurement capacity, were built alongside the fund, particularly in Portugal. However, countries facing fiscal constraints, fragmented ecosystems or weak measurement capacity should prioritise building these foundations before deploying complex repayable finance instruments.
- **The EU context enabled both cases:** Access to EU funding mechanisms, including the European Social Fund and NextGenerationEU, played a central role in both cases, providing the capital and governance frameworks needed to launch and sustain these instruments. Non-EU jurisdictions will need functional equivalents, such as concessional development finance, regional platforms or strong domestic financial institutions.

Lessons for policymakers

The Spanish and Portuguese experience offers useful lessons for other countries, particularly those with access to development finance or regional funds.

- **Use public capital to de-risk:** Both cases demonstrate that structured public participation can attract private co-financing when risk-sharing mechanisms and governance standards are clearly defined. Public authorities can absorb defined risks through innovative finance instruments, such as guarantees, co-investment structures or catalytic capital, thereby enabling private participation while maintaining governance safeguards and financial discipline.

- **Match institutional design to administrative capacity:** Portugal created a dedicated mission unit to build a market from the ground up. Spain leveraged an existing development finance institution to accelerate deployment. The appropriate model depends on state capacity and ecosystem readiness.
- **Sequence market development:** Portugal's phased approach of capacity building before large-scale repayable finance highlights the importance of strengthening organisational readiness prior to introducing complex financial instruments.
- **Embed governance and impact standards early:** Structured technical review, interministerial oversight and defined impact criteria enhance credibility and reduce political and fiscal risks.
- **Leverage funding windows strategically:** Both countries used EU funding frameworks (European Social Fund and NextGenerationEU) to institutionalise instruments that extend beyond the initial programming cycle.
- **Engage stakeholders in design and implementation:** Portugal consulted ecosystem actors to shape Portugal Inovação Social and to secure philanthropic and private participation. Spain engaged SpainNAB and the Spanish Confederation of Social Economy Enterprises (CEPES) in the design of the Fondo de Impacto Social and adopted SpainNAB's Code of Best Practices for Impact Investment as its governing standards. Early engagement built credibility, attracted co-investors and produced more durable markets.

Final reflections

The Spanish and Portuguese cases show how national investment funds can be used as deliberate policy instruments to build or scale impact investment markets, rather than as one-off financing vehicles. Both governments structured public capital to address market failures that grants alone could not resolve, using blended finance mechanisms within a broader impact investment strategy to crowd in private and philanthropic capital while embedding governance and impact standards. Their experiences offer several takeaways for policymakers:

- **Institutional design must follow context:** Portugal built a mission-led structure from a low base; Spain leveraged an existing development finance institution to scale faster. Neither model transfers wholesale.
- **Enabling conditions matter as much as the instrument:** Both cases rested on EU funding scaffolding, credible public financial institutions and legal recognition of the social economy. Where these conditions are not as well established, foundational capacity must come first.
- **Public capital can be catalytic rather than substitutive,** provided it is paired with clear governance, sequenced market-building and active stakeholder engagement.

References and resources

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Interview

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