

GLOSSARY



C

Co-investment (also known as Co-funding): in private equity, co-investment is the syndication of a financing round or investment by other funders alongside a private equity fund. In venture philanthropy, it involves the syndication of an investment into a social purpose organisation, by other funders (e.g. grant-makers or individuals) alongside an investor for impact.¹

Co-investor: private investors who must correspond to an institutional venture capital firms, namely those provided for under article 1 of the Legal Framework for Venture Capital, Social Entrepreneurship and Specialised Investment, appended to Law No. 18/2015, of 4 March, or other natural persons or organizations that, whether operating permanently in Portugal or not, are legally accepted to invest in companies in Portugal.²

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De minimis aid: Refers to small amounts of state aid to undertakings (essentially companies) that EU countries do not have to notify the European Commission about. The maximum amount is EUR 200 000 for each undertaking over a 3-year period.³

e

Enterprise: An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.⁴

Equity investment: the provision of capital to an undertaking, invested directly or indirectly in return for the ownership of a corresponding share of that undertaking.⁵

Exit: the liquidation of holdings by a financial intermediary or investor, including trade sale, write-offs, repayment of shares/loans, sale to another financial intermediary or another investor, sale to a financial institution and sale by public offering, including an initial public offering (IPO).⁶

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Final recipient: A legal or natural person receiving financial support from a financial instrument.⁷

Financial intermediary: any financial institution regardless of its form and ownership, including fund-of-funds, private equity investment funds, public investment funds, banks, micro-finance institutions and guarantee societies.⁸

Financial instruments: ways for facilitating access to repayable capital, which can take the form of investments in equity, quasi-equity, or in borrowed or outside capital, notably through loans, guarantees and other risk sharing instruments.⁹

First commercial sale: the first sale by a company on a product or service market, excluding limited sales to test the market.¹⁰

Follow-on investment: additional risk finance investment in a company subsequent to one or more previous risk finance investment rounds.¹¹

Fund: a fund is a vehicle created to enable pooled investment by a number of investors. It is usually managed by a dedicated organisation.¹²

g

General Block Exemption Regulation (GBER): the block exemption regulation frees categories of state aid, deemed to bring benefits to society that outweigh the possible distortions of competition in the Single Market triggered by the public funding, from the requirement of prior notification to the Commission. Consequently, Member States may implement measures which fulfil the conditions of the Regulation without prior Commission scrutiny.¹³

Gross Grant Equivalent: the amount of the aid if it had been provided in the form of a grant to the beneficiary, before any deduction of tax or other charge.¹⁴

Guarantee: a written commitment to assume responsibility for all or part of a third party's newly originated loan transactions such as debt or lease instruments, as well as quasi-equity instruments.¹⁵

Guarantee rate: means the percentage of loss coverage by a public investor of each and every transaction eligible under the relevant State aid measure.¹⁶

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Impact investment: impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.¹⁷

Initial investment:

- (a) an investment in tangible and intangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not previously produced in the establishment or a fundamental change in the overall production process of an existing establishment; or
- (b) an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller and excludes sole acquisition of the shares of an undertaking.¹⁸

Intangible assets: means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.¹⁹

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Loan: an agreement which obliges the lender to make available to the borrower an agreed amount of money for an agreed period of time and under which the borrower is obliged to repay the amount within the agreed period. It may take the form of a loan, or another funding instrument, including a lease, which provides the lender with a predominant component of minimum yield. The refinancing of existing loans shall not be an eligible loan.²⁰

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Quasi-equity investment: a type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity and whose return for the holder is predominantly based on the profits or losses of the underlying target undertaking and which are unsecured in the event of default. Quasi-equity investments can be structured as debt, unsecured and subordinated, including mezzanine debt, and in some cases convertible into equity, or as preferred equity.²¹

R

Replacement capital: means the purchase of existing shares in a company from an earlier investor or shareholder.²²

Risk finance investment: equity and quasi-equity investments, loans including leases, guarantees, or a mix thereof to eligible undertakings for the purposes of making new investments.²³

S

Services of general interest: are services that public authorities of the EU member countries classify as being of general interest and, therefore, subject to specific public service obligations. They can be provided either by the state or by the private sector.²⁴

Small and medium-sized enterprises (SMEs): the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.²⁵

Social economy: all social and economic activities, freely carried out by the social economy entities (mentioned in Art. 4, “Lei de Bases da Economia Social”), aim at pursuing the general interests of society, directly and through pursuing the interests of their members, users and beneficiaries, whenever socially relevant.”²⁶

Social entrepreneurship: It is the entrepreneurship that has as main goal to address pressing social challenges and meet social needs in an innovative way while serving the general interest and common good for the benefit of the community. In a nutshell, social entrepreneurship targets to social impact primarily rather than profit maximisation in their effort to reach the most vulnerable groups and to contribute to inclusive and sustainable growth.²⁷

Social impact: the attribution of an organisation’s activities to broader and longer-term outcomes, which are in turn defined as the changes, benefits, learnings, or other effects (positive or negative, both long and short term) that result from an organisation’s activities. In academic terms, to accurately calculate social impact outcomes should be adjusted for: (i) what would have happened anyway (deadweight); (ii) the action of others (attribution); (iii) how far the outcome of the initial intervention is likely to be reduced over time (drop off); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive outcomes (displacement); and for unintended consequences, which could be negative or positive.²⁸

Social innovation: social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being.

Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals’ capacity to act.

Social innovation describes the entire process by which new responses to social needs are developed in order to deliver better social outcomes. This process is composed of four main elements:

- Identification of new/unmet/inadequately met social needs;
- Development of new solutions in response to these social needs;
- Evaluation of the effectiveness of new solutions in meeting social needs;
- Scaling up of effective social innovations.²⁹

Social Innovation and Social Entrepreneurship Initiatives (SISEI): is a project aimed at directly or indirectly intervening in one or several societal problems in an innovative and effective manner to generate positive social impact.³⁰

Social investment: an investment specifically to be applied to achieve one or more social outcomes.³¹

Social investor: a provider of investment, that is financial or other support to or for a social enterprise for fixed capital or working capital, taking some investment risk (which may vary between cases), and expecting a return by way of interest, profit, or capital gain.³²

Social organisations: the organisations that integrate the Portuguese social economy are: cooperatives, mutuals, misericórdias (mercies), foundations, other private institutions of social solidarity, associations with altruistic aims that act in the cultural or sports sphere or in local development, entities in the communitarian and self-managing subsectors, integrated in the terms of the Constitution and active in the social and cooperative sector and other entities with a legal personality and that respect the principles of the social economy.³³

Sustainable development: sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.³⁴

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Tangible assets: means assets consisting of land, buildings and plant, machinery and equipment.³⁵

The same or a similar activity: an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities as laid down in Regulation (EC) N.º 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) N.º 3037/90 as well as certain EC Regulations on specific statistical domains.³⁶

u

Undertaking in difficulty: means an undertaking in respect of which at least one of the following circumstances occurs:

- In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU and 'share capital' includes, where relevant, any share premium.
- In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.
- Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.
- In the case of an undertaking that is not an SME, where, for the past two years:
 1. the undertaking's book debt to equity ratio has been greater than 7,5 and
 2. the undertaking's EBITDA interest coverage ratio has been below 1,0.³⁷

Unlisted SME: an SME which is not listed on the official list of a stock exchange, except for alternative trading platforms.³⁸

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Venture capital investment: is characterised by the acquisition, for a limited period of time, of equity instruments or debt capital in companies with high development potential, benefiting from their valuation.³⁹

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- ¹ European Venture Philanthropy Association: <https://evpa.eu.com/glossary>
- ² http://www.poci-compete2020.pt/admin/images/20181022_Aviso_01_IF_2018_FIS.pdf
- ³ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3A0802_2
- ⁴ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ⁵ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ⁶ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ⁷ https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_glossary.pdf
- ⁸ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ⁹ Decree Law No. 159/2014: <https://data.dre.pt/eli/dec-lei/159/2014/10/27/p/dre/pt/html>
- ¹⁰ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ¹¹ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ¹² European Venture Philanthropy Association: <https://evpa.eu.com/glossary>
- ¹³ https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_369
- ¹⁴ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ¹⁵ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ¹⁶ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ¹⁷ Global Impact Investing Network: <https://web.archive.org/web/20150427041203/http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html#1#1>
- ¹⁸ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ¹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ²⁰ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ²¹ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>

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- ²² COMMISSION REGULATION (EU) No 651/2014, of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ²³ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ²⁴ https://ec.europa.eu/info/topics/single-market/services-general-interest_en
- ²⁵ COMMISSION RECOMMENDATION of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32003H0361&from=PT>
- ²⁶ <https://data.dre.pt/eli/lei/30/2013/05/08/p/dre/pt/html>
- ²⁷ Social Entrepreneurship in Europe - An OECD-European Commission Project: <http://www.oecd.org/cfe/leed/social-entrepreneurship-oecd-ec.htm>
- ²⁸ European Venture Philanthropy Association: <https://evpa.eu.com/glossary>
- ²⁹ https://ec.europa.eu/eip/ageing/library/guide-social-innovation_en
- ³⁰ http://www.poci-compete2020.pt/admin/images/20181022_Aviso_01_IF_2018_FIS.pdf
- ³¹ Proposed approaches to social impact measurement in European Commission legislation and in practice relating to EuSEFs and the EaSI, 2014: <https://publications.europa.eu/en/publication-detail/-/publication/0c0b5d38-4ac8-43d1-a7af-32f7b6fcf1cc>
- ³² Proposed approaches to social impact measurement in European Commission legislation and in practice relating to EuSEFs and the EaSI, 2014: <https://publications.europa.eu/en/publication-detail/-/publication/0c0b5d38-4ac8-43d1-a7af-32f7b6fcf1cc>
- ³³ Act No. 30/2013: <https://data.dre.pt/eli/lei/30/2013/05/08/p/dre/pt/html>
- ³⁴ <https://ambiente.files.wordpress.com/2011/03/brundtland-report-our-common-future.pdf>
- ³⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ³⁶ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ³⁷ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ³⁸ COMMISSION REGULATION (EU) N.º 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107.º and 108.º of the Treaty: <https://eur-lex.europa.eu/legal-content/ENG/TXT/PDF/?uri=CELEX:32014R0651&from=PT>
- ³⁹ Act No. 18/2015: <https://data.dre.pt/eli/lei/18/2015/03/04/p/dre/pt/html>