Nº16 • November / January 2021/22 • Quarterly

PORTUGAL ON THE MOVE

Essential BUSINESS

ANNE BRIGHTMAN
The new face of luxury realty

WOW
A tribute to wine

CRISTINA CASALINHO
Selling Portugal's debt

INTERNATIONAL SHARING SCHOOL
A €50M expansion

MARIO CENTENO
A staggered exit strategy

November / January 2021/22 €3.00

Unique IB Curriculum

Risk-takers · Open-minded · Communicators · Knowledgeable · Balanced · Thinkers · Reflective · Caring

FROM DAYCARE TO IB DIPLOMA PROGRAMME

4 MONTHS OLD TO 18 YEARS OLD

MINDFULNESS

MINDFULNESS IS THE BASIC HUMAN ABILITY TO BE FULLY PRESENT, AWARE OF WHERE WE ARE AND WHAT WE'RE DOING, AND NOT OVERLY REACT TO WHAT'S GOING ON AROUND US. AT ISS WE PROMOTE MINDFULNESS THROUGH SIMPLE YOGA MOVEMENTS INSIDE THE CLASSROOM, MOMENTS FOR MEDITATION AND STRETCHING EXERCISES.

LANGUAGES

THE LANGUAGES WE TEACH COMPLEMENT OUR IB CURRICULUM.
WE HAVE CAREFULLY SELECTED SPECIFIC LANGUAGES THAT ALLOW STUDENTS TO WORK IN THREE DIFFERENT ALPHABETS (THE LATIN ALPHABET, THE CHINESE CHARACTERS AND THE CYRILLIC ALPHABET) AND HELP THEM TO MAKE BETTER DECISIONS IN THE FUTURE.

CODING & ROBOTICS

BASIC PROGRAMMING HAS BECOME AN ESSENTIAL SKILL FOR CHILDREN. LEARNING HOW TO BUILD SIMPLE WEBSITES AND GAMES HELPS KIDS REFINE THEIR DESIGN, LOGIC, AND PROBLEM-SOLVING ABILITIES. IT ALSO ALLOWS THEM TO EXPRESS IDEAS AND CREATIVITY IN UNIQUE WAYS

International sharing school
taguspark - oeiras valley - portugal

IB CONTINUUM
CONTINUUM DE L'IB
CONTINUO DEL IB

APPLY FOR SEP. 2021

+351 **966 225 519**

www.**sharingschool**.org

CHRIS GRAEME

Welcome to Issue 16 of Essential Business

Investment in Portugal's real estate market has remained strong despite the Covid-19 pandemic in all segments, including the luxury residential market as overseas relocaters from the US, Brazil, China and the Middle East immigrate to Portugal in search of sun, sea, fine wine, great food and, of course, a house to live in.

In this edition we focus on the story of one of the new leading lights in Portuguese luxury realty, US entrepreneur Anne Brightman of the Brightman Group who is raising the bar when it comes to client service by putting the house buyer front and centre.

As governments in Europe, including Portugal, begin to open up their economies and enact their Resilience and Recovery Programmes (RRP) from the €750Bn Multi-annual Financial Framework (MFF) which was the basis for NextGenerationEU funding, key financial institutions in Portugal are preparing to wean off the Portuguese economy's dependence on quantitative measures such as the EU's bond purchasing programme while reducing dependency in a staggered way on the extraordinary moratoria measures introduced by the government to help Portuguese businesses and families survive. Essential Business focuses on the Governor of the Bank of Portugal, Mário Centeno's expectations for the Portuguese economy in 2022 and why he thinks inflation is a temporary phenomena. We also interview the woman who is responsible for running the country 's treasury and public debt agency, IGCP, Cristina Casalinho.

Portugal's insurance sector, like every sector in the economy, had a difficult time in 2020-2021 yet remained remarkably resilient. The President of the Association of Portuguese Insurers (APS) José Galamba tell us more.

Over the past few years Porto has become one of Europe's new favourite getaway destinations. Next year there's even more reason to visit the capital of port wine thanks to the award-winning World of Wine (WOW) experience. Essential speaks to Adrian Bridge from the Fladgate Partnership about the project.

And not to leave Lisbon out of the spotlight, we speak to Esther Mucznik who heads the non-profit organisation Hagadá which is behind Tikva, Lisbon's first museum dedicated to Portugal's jewish community and history.

You will find these stories and much more in this latest edition of Essential Business. We hope you enjoy!

Chris Graeme, Editor

Estatuto editorial

A revista Essential Business pretende dar a conhecer à comunidade empresarial e internacional em Portugal e a quem visita o país em trabalho, para eventos profissionais ou para investimento, a realidade e atualidade sobre negócios em Portugal.

Enquanto temas relacionados com a imobiliária e o turismo são uma presença constante, a revista e os seus suportes digitais cobrem todas as áreas de negócio, incluindo a saúde, o retalho e as mais diversas indústrias.

A revista Essential Business assume o compromisso de assegurar o respeito pelos princípios deontológicos e pela ética profissional dos jornalistas, assim como pela boa-fé dos leitores.

Editorial Director
Cátia Matos - catia.matos@open-media.net

Features Editor
Chris Graeme - chris.graeme@open-media.net

Art Director
João Cardoso - joao.cardoso@open-media.net

Contributing writers
Chris Graeme, David Sampson

Comercial Director
Paula Mouco - paula.mouco@open-media.net

Proofreading
Cristina Alcock

Subscriptions
subscriptions.open-media.net

Printed by
Grafisol - Edições e Papelarias, Lda
Rua das Maçarocas, Abrunheira Business Center nº 03
Abrunheira 2710-056 Sintra
Tel.: +351 219 158 150 | geral@grafisol.pt

Lisbon Office
Editorial Head Office
Av. Engenheiro Duarte Pacheco, Torre 2, Sala 10
1070-101 Lisboa | Tel (+351) 213 224 812
essential.lisboa@open-media.net

Algarve Office
Apartado 59,
Parque Empresarial Algarve 7, 8401-901 Lagoa
Tel (+351) 282 341 333 Fax (+351) 282 341 360
essential.algarve@open-media.net

North Portugal Office
Publisher Head Office
Praça da Linha do Vale do Lima, 34 BL2, 1º Esq.
4900-296 Meadela, Viana do Castelo

London Office
40 Craven Street, Charing Cross
London WC2N 5NG, England | Tel: +44 (0) 207 389 0527

Distribution
VASP - Distribuidora de Publicações, Lda
MLP: Media Logistics Park | Quinta do Grajal - Venda Seca
2739-511 Agualva Cacém
Tel (+351 214 337 000 | geral@vasp.pt

Owned by
OpenMedia Europe S.A.

Holders of 5% or more of the company's capital
MSFound - Multicultural Sharing Foundation and
Open Media - Design e Publicações S.A.

Periodicy
Trimonthly

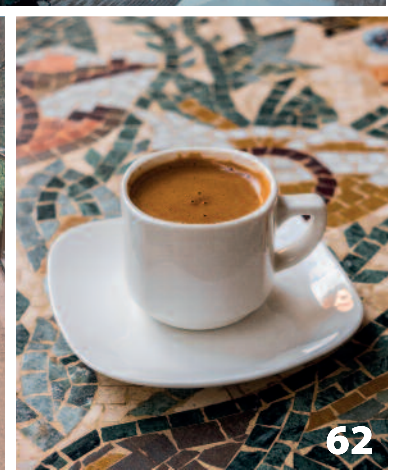
Circulation
6000

C.E.O.
Miguel Ladeira Santos

Publicação registada na Entidade Reguladora para a Comunicação Social com o número 127106. DirectorCátia Matos Propriedade Open Media Europe S.A. NIF 515462063 Administrador/Presidente do Conselho de Administração Miguel Ladeira Santos

1 - É garantida a liberdade de imprensa, nos termos da Constituição e da lei.
2 - A liberdade de imprensa abrange o direito de informar, de se informar e de ser informado, sem impedimentos nem discriminações.
3 - O exercício destes direitos não pode ser impedido ou limitado por qualquer tipo ou forma de censura.

Essential Features



Pent up demand from Brits looking to move to Portugal

Despite surging Covid-19 cases in the UK, visitors (suitably masked) arrived in force on in October for the first live Moving to Portugal Show and Seminars organised by the Portuguese Chamber of Commerce in the UK since November 2019

Held on 21 October and organised with just six weeks' notice, the show was designed to deal with the pent up demand in the UK for information about how to make a successful move to Portugal, post Brexit and post the chaos caused by the corona virus.

To ensure a Covid-secure event, the organisers trialled a new, smaller format with less floor space and less exhibitors, although the usual programme of informative seminars given by expert presenters was still very much the focus of the day.

PENT UP DEMAND

Despite the restrictions of the pandemic restrictions, 250 visitors arrived during the day to meet the exhibitors and listen to the seminars, which covered topics like how UK pensions can be structured in Portugal, post-Brexit visa options for those moving permanently, and an investor's guide to the different areas of Portugal and where to buy a property.

95% of the visitors to the event had never attended a Moving to Portugal event before, even though over 6,500 visitors have already attended since the shows began in the UK and Ireland in late 2017.

Show organiser Christina Hippisley, from the Portuguese Chamber of Commerce in the UK says :

"There is no question that there is massive pent up demand here in the UK from those keen to move to Portugal, which has been building post Brexit and during the privations of lock down. Although we have had a lot of success with our recent Moving to Portugal webinars on different themes, with typical online audiences of over 100 people listening and asking questions, we also know our 'movers' really prefer to meet face to face with our experts and exhibitors.

"Now we have successfully restarted the live events, watch this space. We will be running a full live programme of Moving to Portugal events in 2022 here in the UK, starting in March. We are also investing more editorial and digital resources into our www.movingtoportugal.org.uk website, in order to keep pace with our growing numbers of followers von Facebook, Instagram and YouTube, and to meet the needs of our burgeoning online community".

UK MIGRANTS UP 34.6%

The Chamber's recent research confirms that British migrants to Portugal are up 34.6% from 2019 to 2020 and there has also been a significant surge in Brits moving to inland Portugal.

The increase takes the total number of Brits who are officially resident in Portugal to 46,238, meaning the British are now the second largest group of foreign residents in Portugal, after the Brazilians.

According to Portugal's SEF figures, the most popular inland area in 2020 in terms of an increase in British residents was the Castelo Branco district, in central Portugal, which shares a land border with Caceres in Spain. Castelo Branco district is now home to 1,252 officially resident Brits. Far from the tourist crowds, the region is peaceful and charming, with traditional architecture and a reputation for its olive oil, wine and cheese. Madeira too is popular. ■

WOW wins Portugal's Real Estate Awards 2021

WOW Porto, a new cultural district with museums, shops, restaurants, bars, and a School of Wines is the winner of this year's Portugal Real Estate Awards 2021.

The project which won in the category of Multi-Amenities was unanimously voted the 'Best Development of the Year 2021' by the jury.
The gala event and dinner took place in October at the Vila Galé Sintra Resort Hotel Conference & Spa with 184 invited guests from the Portuguese property sector.
The jury comprised Paulo Silva, Head of Country at Savills, Hugo Santos Ferreira, President of the APPII, Carlos Minheiro Aires, Beadle of the Association of Engineers, architect Mário Sua Kay and Alberto Henriques, Associate Director/Investment Savills Portugal who selected the winner of the 'Best Development 2021' which also went to WOW.
The Trade category went to the expansion project for NorteShopping, Porto Office Park took home the trophy in the Offices category while in the category for Housing that went to Edifício Náutico. The award for the best Tourism development went to the Palmares Ocean Living & Golf Country Club.
Ivens Arts took two awards with the Rehabilitation Award and the Sotheby's International Realty Award attributed by the luxury real estate brand.
For this edition, the jury decided to hand out two honorary mentions in the categories Multiple Amenities and Tourism which went to the developments Casa dos 24 and Pena DÁgua Boutique Hotel and Villas respectively.
The event was sponsored by Savills, as the main sponsor, Santander, the Official Bank and Victoria Seguros, the Official Insurer.
Other sponsors were Aura Real Estate, Experts, Era Portugal, Portugal Sotheby's International Realty, LG Portugal, Hansgrohe, AEG and Avila Spaces, among others.
The night was particularly poignant and moving because of the tributes and standing ovation paid to the founder of Magazine Imobiliário, Joaquim Pereira de Almeida who passed away suddenly this year with moving speeches given by his widow Anabela Loureiro who takes the helm at the magazine and online property news site, and Carla Celestino, editor of Magazine Imobiliário.

Brodway Malyan, Margarida Caldeira;
Fladgate Partnership, Adrian Bridge

United Lisbon International School picks up SIL award

The United Lisbon International School was one of 10 winners at this year's SIL Portugal Real Estate Awards which took place on Thursday in Lisbon at the Portugal International Property Fair.

The international school, part of a wider Educational Hub project for Lisbon's modern eastern district on the boundary with Parque das Nações (former Expo 98 site), was conceived by entrepreneurs Chitra and Roman Stern (Elegant Group/Martinhal) and won the Commerce and Services category.
Other winners included the Avencas Ocean View Residences, a premium residential condominium located on the Cascais train line, in front of beach Praia das Avencas, on the outskirts of Lisbon.
The project, from Mexto represents an investment of €13 million. It bagged the Best Real Estate Development in the Housing Category.
Porto Office Park (Broadway Malyan) won in the category of Best Commerce, Services and Logistics Development, while World of Wine (WOW) won in the Best Urban Rehabilitation Public Spaces category.
The annual SIL Real Estate Awards which began in 2010, reward the best real estate developments and projects in Portugal.

Other winners per category:
Sustainable and Energy Efficient Construction - AGEAS Headquarters (Elegant Group/Martinhal).
Tourism - Clubhouse Resort Palmares Ocean & Golf (Kronos Investment Group).

Best Urban Rehabilitation:
Housing - Unique Chiado (Libertas Group).
Tourism - Total Palace Porto (NN Arquitectura e Planeamento).
Public Spaces - World of Wine (Broadway Malyan).
Offices - Castro Group HQ.
Honorary Mention - Quinta do Paço do Lumiar (RAR Imobiliária).

Investors continue interest in Portugal for 2022

Real Estate investors who were at the Portugal Real Estate Summit in Estoril in September continue to have an appetite for investment in Portugal next year.

Built to Rent, student residences, health and logistics are some of the sectors which whetted the appetites of investors and developers who showed confidence in Portugal's economic recovery.
The Portugal Real Estate Summit which took place in Estoril on 29-30 September saw 250 representatives of the real estate sector from both Portugal and overseas from countries like Spain, Belgium, the UK, Germany, the Netherlands, Switzerland, France, Italy, Turkey, the United States, Canada, and Brazil.
The central topic of this year's conference was to set out a roadmap for economic recovery on the Iberian Peninsula looking at plans and opportunities in the various segments of the sector in both countries.
Iberian Property estimates that real estate investment in Portugal from January to August 2021 has clocked up a sum of €1.205Bn of which 47% (€561 million) was from business deals accomplished in the last two months.
More than 80% of the investors present at this summit said they intended to invest in Portugal next year while 71% believe that prices for the sector will rise.
"Investors are showing an increasing interest in alternative segments at a time in which the investment paradigm is clearly changing. Globally, there seems to be a more themed approach with investors thoroughly studying the market segment by segment rather than as a whole," said Dominique Moerenhout, CEO of EPRA.
Moerenhout who heads the Association for European Real Estate Investment Trusts (REITS) pointed out that the real estate sector continues to attract investors and had been particularly resilient during the pandemic.
It was also pointed out that the crisis was quite different from 2008 and that Europe was better prepared. "This crisis was a liquidity crisis and not an insolvency crisis".
"Which is why we have reasons to be more optimistic today. The sector has returned to the pre-pandemic point five times faster than the last crisis," adding that the pandemic was not to be seen as a crisis but rather as a transformation for the real estate market," he added.
Seventy percent of those present believed that 2022 would see growth levels return to levels seen in 2019 while 24% thought that the market would exceed these levels.
The opinions gathered from surveys held during the event were borne up by two guest economists who commented on perspectives on how the sector and market would develop, Ana Paula Serra, a Bank of Portugal director and José Brandão de Brito, Chief Economist for Millennium bcp.

Lack of product slows investment
According to specialists from various real estate consultants who addressed the conference (Cushman & Wakefield, CBRE and Savills), Portugal would not escape the current trend for investments diversification, noting a greater evenness in the distribution of capital to different segments.
While offices, retail and logistics were in the sights of investors, emerging sectors in the residential area such as new-build for rent, student residences and senior residences have enormous potential for investment attraction and had only been limited because of a lack of product in the market in which to invest.
The heart and wellness segments of the real estate market, not to mention data centres and farming assets are also viewed as new sources for real estate investment attraction in Portugal.

Tourism
The topic of tourism was also discussed with the President of Turismo de Portugal, Luís Araújo, but here optimism was guarded.
Among those present, 53% thought that tourism was recovering and would be back to pre-pandemic levels by 2022 but 40% believed that tourism revenues would clearly be below 2019 levels.
Nevertheless, hospitality would continue to be in the sights of investors, although 50% said they were in two minds on investing in tourism assets and projects over the next two years, while 50% said they were inclined to do so, but with prudence.

The New Face of Portugal Luxury Real Estate

Since moving to Portugal a little over four years ago Texas-born entrepreneur Anne Brightman has opened one of the most innovative new luxury estate agencies in Greater Lisbon and is raising the bar in customer service and client expectations

TEXT **CHRIS GRAEME**
PHOTOS **JOAQUIM MORGADO**

The first thing you notice when meeting Anne Brightman, CEO of Estoril's newest and most dynamic luxury estate agency, Brightman Group, is elegance and sophistication.

This tall, beautiful, and driven Texan is something of an anomaly in the Portuguese real estate market. In just a few short years, her company is gaining status as the premier benchmark in luxury customer service in one of the most competitive markets in Europe. Anne represents the new breed of up-and-coming US entrepreneurs who have chosen Portugal to build a business and invest in.

I walk into the plush three-story Brightman Group Agency next to the famous Estoril Casino and Hotel Palácio. The air is perfumed and the decor, a result of collaboration with the firm Salvador & Lobo, leaves no doubt that you are entering the realm of luxury.

It is a Saturday, yet the office is a hive of activity with a business meeting in full swing on the second floor and agents hard at work in the productivity centre downstairs. I am politely greeted by a well-dressed receptionist who offers me a gourmet coffee served in an antique Japanese porcelain cup, a sure sign that this would not be a business-as-usual meeting.

As I await the interview it feels as though I have stepped into another world outside the borders of Portugal. I take out my pen and paper as we sit at the conference table upstairs overlooking the beautiful Estoril Gardens and Tamariz Beach and I begin by asking her about her origins.

"I was born, raised and educated in Dallas, Texas, known for the TV series Dallas and for the first and only Presidential assassination of the 20th Century. In spite of the fact that Dallas is the 3rd fastest growing economy in the US, it still seems to be what the city is most recognised for!" she wryly states in her soft Texas accent.

My curiosity is piqued, and I ask her, "How did you end up in Portugal? That's a long way from Texas".

"My partner and I had been travelling for a year and a half and came here at the suggestion of friends. Portugal had never been on my radar but after ten days on vacation in this beautiful country we left with the keys to a new apartment we had just bought and the intention of moving back to retire within three months".

She puts her hand on her head and her eyes roll back in her head as she says, "I think back on that decision and it's like I drank some magic potion and lost my mind. I have worked in Real Estate for years and in several countries.

I'm a sophisticated investor and the fact that my new home was in a country I had only been in for a mere 10 days might have been the craziest decision I ever made. What's interesting is that I hear this same story repeatedly from other expats and my own clients. It's like Portugal casts a magical spell on you!"

I can't imagine doing something like this as we Brits tend to be more conservative than our adventurous American cousins. While the answer is obvious just by looking around, I ask, "How did that decision work out for you?"

She gets very serious and says "We thought we would be back in three months to take possession of our newly remodelled apartment and retire in Portugal. We returned a year later and were forced to stay in a hotel for a month because of an endless series of problems that our Real Estate agent could have resolved but didn't. However, She wouldn't return our calls, didn't send

Essential **Property**

"MY EXPERIENCE IN THE U.S. DID NOT PREPARE ME FOR THE PORTUGUESE MARKET. AGENTS HERE ARE NOT REQUIRED TO HAVE INDIVIDUAL LICENSING OR EVEN A COURSE IF THEY WORK FOR AN AGENCY AND I FOUND THE SYSTEM TO BE QUITE CHAOTIC, CONFUSING AND VERY CUTTHROAT".

the blueprints for repairs, didn't even give us the required documents for registering the property! We felt completely abandoned in a country we knew nothing about and felt like fools for having jumped into this mess without researching a bit before."

We had no idea how to turn on utilities, who to speak to with regarding the leak in the ceiling or where to begin looking for a school for my son. We began the NHR process entirely on our own and discovered that we had to present a series of related documents. We only had the deed transfer and nothing else. The agent had not sent copies of the other essential documents necessary to buy, sell or immigrate to Portugal.

In the US customer service is E-V-E-R-Y-T-H-I-N-G and it became obvious to me over time that I was looking at an enormous opportunity to bring my experience to this market."

A CHAOTIC AND CONFUSING SYSTEM

Anne tells me that despite all her experience in the US it did not prepare her for working in the Portuguese market.

"Agents here are not required to have individual licensing or even a course if they work for an agency and I found the system to be quite chaotic, confusing and very cutthroat."

She looks at me and smiles ironically. "I thrive on challenge and I found this environment to be an enormously exciting opportunity. I realised I wasn't as ready to retire as I'd imagined."

It suddenly dawns on me how different the American and Portuguese approach to the Estate Agency business is and just how different the two markets are. It's one thing to be a Real Estate professional in a competitive, sophisticated and client-focused market like the US and quite another in Portugal.

What this woman has achieved in less than half a decade is no small feat and I'm curious to know how she managed to navigate such a different environment and get to where she is today. I think about the enormous number of agents in this country and it seems like an impossible mission for a newcomer to march in and create a Luxury Brand that competes with established names like Sotheby's International Realty Portugal, Fine & Country, and Porta da Frente.

She is thoughtful for a moment and when she speaks it's with a certain depth, "We will never know our full potential until we push ourselves to find it. We have the potential to be anything we want and I love the saying 'if you can dream it, you can achieve it'.

"When I was 20, I began selling Time Share Real Estate to pay for University. I sold Time Share before anyone had ever heard of it! After graduating I moved to Brasil and got my Real Estate license (CRECI) and when I eventually moved back to the US I opened my investment company and was active in multifamily property acquisitions. However nothing I had done previously had prepared me for this market. It was a very different world, so I set out to learn everything I could".

COACHES AND MENTORS

"It took me two years of training with some of the best coaches in Portugal. A mentor that particularly stands out is Joâo Paleta from KW Abaco. He is one of the most dynamic trainers I've ever worked with. I took his BOLD course and it enabled me to formulate my business plan and move forward faster than I ever imagined. Another coach and mentor was Maria Antonia Gonçalves from C21 who was responsible for helping me to create a clear vision and act. The Real Estate educator, public speaker and author, Massimo Forte, was instrumental in my training and his books are a must read for any serious agent in this market. He was the first coach I chose to train Brightman Group recruits."

"Over time I discovered that there are lots of good agents working in Portugal but a very important piece of the puzzle was to figure out who they were and what companies I could trust."

I ask her "What is it that differentiates your agency in a market with thousands of other Real Estate companies?" Her answer comes immediately. "Our mantra is The Client is KING!"

From the beginning of our conversation Anne has stressed that her goal has been to build a company that is client driven and a benchmark in luxury customer service.

"Given the option when flying, pretty much every person in the world would choose the First Class seat. It's more comfortable, the environment is better, and the experience is top-notch. That's the experience we want to create for our clients."

"What I have achieved in Portugal would have been difficult to repeat in the US as customer service is the driving force that runs real estate in America, especially in the luxury segment.

Catering to clients' specific wants and whims is second nature for me. I have been in sales most of my life and this insight was my competitive advantage in Portugal."

"It's my goal that our Brand becomes synonymous with luxury and there are so many different facets involved in developing this. Years ago, I had an Image Consulting company and I primarily worked with luxury brands. The work I did in this field had a significant impact on how I visualise our branding and is reflected in the level of tailor-made service we offer each client.

Brightman Group team.

Essential Property

Louise Key (UK), Bea Silvia Hazan Menasce (France), Mayssa Diab (Lebanon) and Roseli Freitas (Brazil).

Today we have two dedicated brand ambassadors who are responsible for strategic partnerships with relocation companies, law offices, tax consultants, luxury car and jet services, and other amenities that facilitate the lives of our clients, especially ex pats moving from abroad."

BRIGHTMAN GROUP TEAM

As I sit speaking with Anne, I cannot help but notice the people buzzing around the office, - an attractive, polite, well-dressed, well-spoken team of people working on SATURDAY. This is an anomaly in a country where weekends are generally sacred for those not forced to work.

When I ask Anne to tell me about her Team a big smile lights up her face.

"They're my Superstars and the main reason why this company has grown quickly and is recognised for benchmark customer care. My team is highly trained, educated, multi-national and dedicated to their clients. Most importantly they are all team players. Instead of fierce competition so common between agents, there is exceptional collaboration. Anne points to the World Basketball Champion Michael Jordan who sums up Brightman Group's philosophy 'Talent wins games, but teamwork and intelligence win championships'.

"I think that defines our company culture. Everyone in the company fits this unique profile and when one member celebrates a victory all of us share in it. We have a very multi-cultural team and many of the agents have been through the immigration process themselves and understand their clients' needs on a personal level. Most of our buyers are international and we frequently try to match our clients with agents from similar backgrounds. Many of our sellers are Portuguese and it's very important that we understand and respect their culture too".

"Every agent that joins the BG Team is selected because they fit our core values. We have a unique culture and it's the heart of who we are and what we stand for. Our goal is to be recognised as the leaders of luxury real estate and our strategy is simple. We have extraordinary agents who offer extraordinary service and everyone in the company works to support this endeavour. We continue to recruit new talent, but we are absolutely not about quantity and everything to do with quality.

THE COVID IMPACT

As we continue to talk it occurs to me that Brightman Group opened shortly before one of the most economically devastating pandemics the world has ever seen, and I ask her how this has affected her business.

"When COVID hit it was a blow, but it was also an opportunity to reevaluate and restructure. In the end I'm grateful for the fact that things slowed down and we had an opportunity to rethink our position in areas like marketing strategies, branding, visual identity, and strategic planning ", Anne reflects. "From this havoc our Brightman Group Exclusive Real Estate boutique emerged."

As to the Golden Visa and NHR programmes, Anne points out that there has been a lot of debate regarding this subject.

"The arguments both for and against the future of these incentives have been droning on for some some time .

"The Golden Visa and NHR (Non Habitual Residents) programmes have spurred tremendous growth in Portugal's populated areas, and brought in around €6Bn in foreign investment during the last decade. It has literally changed the face of Portugal, regenerating inner city neighbourhoods like Marvila, and has contributed towards creating new master planned communities like André Jordan's developments in the Algarve and Belas Clube de Campo in Sintra.

This influx of foreign capital has been a primary factor in rehabilitation of historic Lisbon inner city areas such as the case of Anthony Lanier's refurbishment of the Principe Real neighbourhood", she explains.

Anne believes that overseas investment in the real estate sector is fundamental for growth. Her attitude becomes quite serious as she states, "The idea that these incentives could have devastating long term results for the Portuguese

"I THRIVE ON CHALLENGE AND I FOUND THIS ENVIRONMENT TO BE AN ENORMOUSLY EXCITING OPPORTUNITY. I REALISED I WASN'T AS READY TO RETIRE AS I'D IMAGINED".

Left to right: Ernesto Portugal, (PT) João Bessone, (PT) João Miguel Louro, (PT) Roseli Freitas, (BR) Silvia Hazan Menasce, (FR) Carolina Fidalgo, (BR) Mimsy Madrid, (MX) Tamara Saudi (JO)

"OUR GOAL IS TO BE RECOGNISED AS THE LEADERS OF LUXURY REAL ESTATE AND OUR STRATEGY IS SIMPLE. WE HAVE EXTRAORDINARY AGENTS WHO OFFER EXTRAORDINARY SERVICE".

population has been debated repeatedly. At the heart of this issue is the fact that many low-income citizens are being displaced and can no longer afford to live in the inner cities and that the rising cost of living is making major cities inaccessible to the very people that were born and raised here.

"It is a legitimate and valid point that displacement has occurred and it is especially devastating to young families and pensioners who have been left without resources or family assistance. I agree that something must be done, but I do not believe that the solution is to put the brakes on development and growth at this crucial moment when Covid has devastated Portugal's GDP (down 7% in 2020) when real estate has been one of the principal mainstays of the economy". (Portugal received nearly €3Bn in overseas investment in all segments of real estate in 2020)

This is a government issue that must be solved through social development programmes that incentivise and promote suburban and rural growth and offer work programmes and subsidies to the vulnerable sectors of the population", explains Anne.

LOOKING THE FUTURE

Anne says she is optimistic about the future, but stresses that there are many things that need to change in the Portuguese market to make it more functional and transparent.

"Unquestionably there should be individual training and licensing for every agent and transparency in selling prices. It would also greatly facilitate business flow if notaries were to work with digital documents and signatures, which some are starting to do."

She points out that clients are beginning to purchase virtually and the

Essential Property

"WHAT I HAVE ACHIEVED IN PORTUGAL WOULD HAVE BEEN DIFFICULT TO REPEAT IN THE U.S. AS CUSTOMER SERVICE IS THE DRIVING FORCE THAT RUNS REAL ESTATE IN AMERICA, ESPECIALLY IN THE LUXURY SEGMENT".

whole process should be streamlined and secure.

Following the restructuring and with the right team in place everything looks bright for Brightman Group as it starts a new and exciting phase.

"Our strategy this year was to open a dedicated commercial department that would focus on developments and commercial properties such as shopping centres, building rehabs and hotels. The Luxury Residential market and Golden Visa clients are still our core business, but we have achieved remarkable results in the commercial arena in a very short period of time and I'm very happy with the direction we are moving towards."

Brightman Group is also in the process of creating a new marketing strategy that will reflect both the Commercial and Residential divisions. Anne states that this is an essential component to success and these new campaigns will launch by year end.

As our interview draws to a close I ask Anne Brightman, CEO and founder of the Brightman Group, if she has any kernel of advice for those thinking of going into the Real Estate business in Portugal?

"Study the market and know what you are doing. Focus on customer service. To be successful you need to be smart, strong, and determined. And do not start if you aren't willing to put in long hours, because being a professional agent is not a not a part time job!" ■

Cristina Casalinho
Up to her eyes in debt and loving it!

The Portuguese Agency of the Treasury and Public Debt Management (IGCP) is not an institution that is in the limelight for most Portuguese, yet it has a vital task is raising around €15Bn a year through sovereign bonds to ensure the State meets its annual running costs

TEXT **CHRIS GRAEME**
PHOTOS **JOAQUIM MORGADO**

Although in its present form since 2012, the original roots of the agency which manages Portugal's public debt go back to the times of the monarchy and reign of Queen Maria II of Portugal when the Board of Public Credit was founded in 1834. Later it became the Institute of the Public Credit Management Institute and morphed into the IGCP.

Invited to run the IGCP in June 2012, economist Cristina Casalinho says it was not an easy decision but decided it was a challenge that she was ready to take.

Then she had been working in the IGCP's research and reporting unit since the institution in its present form was created and presided over by its first president, the economist Vítor Bento.

Cristina says her biggest mentors were the executive director António Pontes Correia and former director João Moreira Rato, the latter who had been president of the IGCP and is currently president of the post office bank Banco CTT.

Moreira Rato was an influential figure in leading the process for Portugal's return to the markets post 'troika' and was very briefly the last CFO of Banco Espírito Santo which collapsed in 2014 and the first at Novo Banco which was created from its ashes.

Cristina balks at the idea that she feels treated differently by the financial boys in the suits because she is a woman and doesn't believe there is much of a glass ceiling preventing women in finance getting to the top in Portugal.

"The fact that I've been around for so many years, everyone knows me, and I think that can be a plus, a competitive advantage. Furthermore, I had been writing articles for the newspapers for years and everyone knew what I was doing heading the research department at BPI bank, and we all get along well," the IGCP president says.

Cristina Casalinho says there were times at international meetings, although it is less the case today, when she is the only woman in the room, and it can feel "a little intimidating".

Now in her third three-year term at the IGCP Cristina says she doesn't look to far to the future regarding appointments in other agencies or institutions although by law she cannot do a fourth term.

One of the issues that is poorly understood by the general public is the question of the €16.9Bn 'bazooka' EU funding that Portugal will receive in grants and loans and the idea that this will add billions more onto Portugal's already high accumulated public debt which currently stands at around €274.6Bn. However, Cristina Casalinho stresses that the way the Next Generation EU facility has been organised, and more specifically the Recovery and Resilience Programme (RRP) and other top-up funds, is that it shouldn't drown Portugal in even more debt.

"At the time the mechanisms were set up they were mostly intended to be growth enhancing for Europe (and Portugal) and channelled to projects that had not been previously considered, and so shouldn't affect Portugal's national debt," she explains.

"Instead, what we are seeing is that some projects which were postponed, for one reason, or another are now being dusted off now that the funding is there, but before had not been implemented because of the cost and government spending priorities at that time," adds Cristina Casalinho.

ECB BOND PURCHASE PROGRAMME

The European Central Bank has been operating a 100% bond purchase programme called the Pandemic Emergency Purchase Programme (PEPP) which is a non-standard monetary policy measure initiated in March 2020 to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the Covid-19 pandemic.

The PEPP is a temporary measure to purchase public and private sector securities, sovereign bonds in the case of Portugal. The Governing Council decided to increase the initial €750Bn by €600Bn in June 2020 and by €500Bn in December for a new total of €1.8Trn. However, the ECB will now slow the pace of its bond-buying programme in the final

"IT TOOK MOODY'S ALMOST A DECADE TO TAKE US OUT OF NON-INVESTMENT GRADE RATINGS AND THIS WAS ALMOST ENTIRELY DOWN TO OUR EFFORTS TO MAKE STRUCTURAL AND PUBLIC DEFICIT CHANGES."

quarter of 2021, a shift that President Christine Lagarde insists isn't a move heralding a wind-down in stimuli for the euro-region's still vulnerable recovery.

In the case of Portugal, Cristina Casalinho says that 20% of the bonds are bought by the European central bank and the remaining 80% are bought by the national central bank - Bank of Portugal.

The economist says that the impact of the ECB bond buy-up and the effects of QE (Quantitative Easing) made Portugal's bonds cheaper. Cristina Casalinho gives the example of the 2024 bond denominated in both US dollars and in Euros. "These bonds traded at different rates. Taking the difference between the two rates in corresponding equivalent euros produced a differential of 30 basis points. The ECB buying of Portugal's bonds therefore makes them cheaper".

Providing some background fundamentals, the head of the IGCP points out that today the Portuguese economy is better prepared to face external shocks and indeed experienced a "virtuous cycle" when Covid-19 stuck.

Although the first decade of the millennium was marked by accumulated macroeconomic imbalances which culminated in the intervention of the troika in 2011, growth foundations have strengthened significantly since 2014 with the economy rebounding and an improved convergence with the euro area.

To 2019, GDP grew for 25 consecutive quarters supported by an improving labour market and robust private consumption and although the impact on Portugal's economy had been severe, the fact that the banks had rebuilt capital and liquidity and offloaded NPLs meant the sector was able to support Portuguese business through company and private moratoria on loans.

Moreover, as has also been underlined by the Governor of the Bank of Portugal (see feature article on pages 27-31) the effects are temporary thanks to robust growth of 3-4% in 2021, and improved fundamentals and concerted efforts from national and European authorities should support a solid recovery.

PORTUGAL'S DEBT — IS IT THAT BAD?

There have been alarming articles in the Portuguese press that Portugal's accumulated non-financial sector debt (both public and private) had reached an eye-watering record of €762.5Bn at the end of H1 2021. But its public debt has actually been falling — it was €274.6Bn in September and that was down €2.9Bn in August. In addition, the Portuguese Government had managed a modest budget surplus for the first time in Portugal's contemporary democratic history in 2019 of €177 million (0.2% of GDP) showing that the ministry of Finance and Bank of Portugal were making serious attempts to tackle the debt — until Covid-19 came along which forced extraordinary and unforeseen spending which raised the debt to 11.5%.

Cristina Casalinho says that Portugal's public debt will resume a downward trend this year after the debt-GDP ratio spiked to a maximum in 2020, but despite this the debt trajectory is downward and reflects Portugal's firm commitment to fiscal stabilisation.

WHO BUYS PORTUGAL'S DEBT?

Apart from the European Central Bank and Bank of Portugal, the country's medium to long-term debt (MLT) has been popular among investors. In 2019 22% of sovereign bonds were bought via syndications, 54% at auctions and 14% through exchanges. In 2020, 47% was via syndications, 45% through auctions and 8% through exchanges.

For long-term syndicated bonds, the biggest buyers in terms of countries in February 2022 - by way of example — of a €3Bn bond set to mature in 2052 and with a yield of 1.022% were France, Italy, and Spain (37.1%), This was followed the UK (17.6%), Germany, Austria, and Switzerland (14.9%, Scandinavia (9.9%) and Portugal (7.8%).

From the entities that the buy the bonds, the lion's share for that issue went to fund managers (40.7%), banks and private banks (32.1%), insurance and pension funds (14.2%), hedge funds (4.5%), central banks and official institutions (4.3%).

For 10-year bonds maturing in 2031 offering yields of 0.3%, appetite from funds is even greater (46.3%) - 35.5% from banks and 9.8% from pension and insurance funds.

PORTUGAL'S DEBT COMPOSITION

Since 2020, and as a direct result of the pandemic, the share of bond purchasing by the European Central Bank and the Bank of Portugal has gone up (Eurosystem holdings), particularly regarding the BoP which saw the percentage of bonds held rise from 1% in December 2020 and 31% by January 2021. But during that same period, purchases by the ECB had steadily fallen and stabilised out from 19% in December 2020 to less than half (6%) by January 2021 and beyond.

Cristina Casalinho says that Bank of Portugal, which holds 80% of the bonds will "hold them to maturity" along with all the coupon payments which are returned to the central bank that goes into its dividends and return to the budget.

ANOTHER SOVEREIGN DEBT CRISIS LOOMING?

Although Portugal's economy suffered during the sovereign debt crisis following the US sub-prime mortgage and investment bank crisis in 2007, between 2010-2014 Portugal's bond crisis was the result of a wider downturn of the Portuguese economy that had started in 2001 and only ended in 2016.

The period from 2010 to 2014 was the hardest and most challenging part of the crisis and included the 2011-2014 €78Bn international bailout for Portugal spearheaded by a troika of international institutional lenders comprising the ECB, IMF, and EC.

A mixture of internal recession and external financial crises meant that by 2008 Portugal was having problems servicing its government debt as interest rates on sovereign bonds soared to an unsustainable level as the Portuguese bond market fell victim to successive waves of speculation by bond traders, ratings agencies, and speculators.

In the summer of 2010, Moody's Investors Service cut Portugal's sovereign bond rating down two notches from an Aa2 to an A1. Because of spending on economic stimuli, Portugal's debt had increased sharply compared to the gross domestic product. Moody's noted that the rising debt would weigh heavily on the government's short-term finances.

By November risk premiums on Portuguese bonds hit euro lifetime highs as investors and creditors worried that the country would fail to rein in its budget deficit and debt. The yield on the country's 10-year government bonds reached 7 percent — a level the then Portuguese Finance Minister Fernando Teixeira dos Santos had previously said would require the country to seek financial help from international institutions, which in 2011 it eventually did.

But does Cristina Casalinho think that such a disaster could befall Portugal again in the future future after the country's accumulated debt once again hit record highs in 2020?

"We're not really concerned that will happen any time soon because things have changed quite significantly since then. This time round, the way that the European institutions have dealt with the crisis was in stark difference to the previous crisis a decade ago," she says.

Cristina Casalinho says that during the sovereign debt crisis there was a "lot of finger-pointing" but looking specifically at Portugal and Spain "we were facing increasing imbalances" — in the first decade of the century Portugal's economy suffered low growth bordering on stagnation (0.8% in 2003, 1.6% in 2004, 2.4% 2007 and 1.3% in 2011) and two recessions. (2002-3 and 2008-9)

"Portugal's external deficit increased significantly with the overall indebtedness also expanding. It was difficult to sustain a situation of running twin deficits (10% budget deficit in 2009/debt-to GDP ratio

of 111% in 2011) before getting into a serious financial situation," recalls Cristina Casalinho who at that time was chief economist at the bank BPI. (Banco Português de Investimento)

"The way the crisis was tackled at that time was adopting specific solutions for each country. The European Stability Mechanism (ESM) resulted from the EU's recognition that there needed to be an instrument to quickly make credit lines available to specific countries (Portugal, Ireland, Greece) in a timely and effective way," says the economist adding that this was the first step towards recognising the need for a Europe-wide emergency credit package.

At an early stage, the only facility available was the European Financial Stabilisation Mechanism (EFSM) created for the European Commission to provide financial assistance to any EU country experiencing or threatened by severe financial difficulties and which evolved into the ESM.

While the ESM still exists, the first response to the current crisis was to also use the EFSF (European Financial Stability Facility) and the European Investment Bank (EIB) which was authorised to borrow up to €440Bn of which €250Bn remained available after the Portuguese and Irish bailouts and with its role today as the ESM is to "safeguard financial stability in Europe by providing financial assistance to eurozone states".

"The first response to the Covid crisis was to take these instruments and the SURE line — which enables €100Bn in solidarity loans to support jobs and lives — to be the frontline instrument to face the crisis, but it was decided that such a crisis management approach was insufficient and hadn't worked before, plus Spain, Portugal and Greece didn't want to apply for these instruments because of the stigma from 10 years ago and the feeling of going cap-in-hand," she explains stressing that this time round Portugal was not in the same position.

Instead, the new approach and the next step was Next Generation EU and having the EU providing loans to member states. "If you remove all credit considerations from the deployment of measures, which the EC did, the €740Bn 'bazooka' package was made more equal.

"THE CURRENT ECONOMIC CONDITIONS DON'T SUGGEST THE VERY HIGH INTEREST RATES PORTUGAL SUFFERED IN THE LEAD UP TO THE 'TROIKA' WILL HAPPEN AGAIN, SO I'M NOT SO CONCERNED. THERE IS A STARK DIFFERENCE BETWEEN THE APPROACH TO THE CURRENT CRISIS AND THE WAY IT WAS DEALT WITH BACK THEN."

LOW INTEREST RATES ON BORROWING — HERE TO STAY?

The head of the IGCP can't say if low interest rates on State borrowing will continue and of course the ECB will 'taper' or slow down the bond purchasing pace by December (€1,850Bn). "The central banks have accepted that the €1.85Trn Pandemic Emergency Purchasing Programme (PEPP) will terminate in March 2022 and as a consequence we expect interest rates (and inflation) to rise." (The ECB sees inflation rising towards 4% by December and falling back to just under 2% by 2022, although the Bank of France Governor Francois Villeroy de Galhau and ECB policymaker Pablo Hernandez de Cos see no reason for that in 2022 despite rising energy costs)

"The current economic conditions don't point to very high interest rates happening again (like in the early 1980s (13%-22%) or in 1990 in the case the UK - 15.4%). Nevertheless, Cristina Casalinho thinks they may go up slightly, but not so much as to strangle Europe's recovery.

On the other side of the coin, if interest rates are so low, why would investors, institutional or private, even buy bonds?

Cristina Casalinho explains. "There are investment entities or big investors which hold the bonds for a very short period rather than waiting for maturity. Whenever the bonds go up, they draw the profits and when dealing with huge quantities of bonds, even a small increase on that scale is relevant."

"In other cases, you see the investors need to buy bonds, in this case because of risk hedging requirements. Their constraint on risk doesn't allow them to take on too much risk so they buy bonds as a low-risk safeguard, particularly if they have a benchmark of risk in their portfolios and have to replicate that benchmark when purchasing assets."

QUANTITIVE EASING

Most researchers suggest that QE has helped to keep economic growth stronger, wages higher, and unemployment lower in Europe than they would otherwise have been. However, does QE have complicated consequences? As well as bonds, does it not increase the prices of assets such as shares and property?

"This is a frequent discussion among us economists. Of course if you do it too long or in too great a quantity the harmful effects will catch up with the European Central Bank. Today, trade barriers are much lower, it's easier, for capital to move around the world than in the 1920s and 30s when there were more rigidities and inflation was rampant. Today's flexibility puts a lid on high inflation," says Cristina Casalinho adding that labour has much less wage and price setting power these days.

Then there is another question. If all this debt held by Portugal, the other Western European economies and the US is sustainable?

"The ECB today holds around 50% of our treasury bonds. It's no longer so much about sustainability but rather affordability." She mentions economist Olivier Blanchard who suggested that there is no magic number for a dangerous debt threshold, be it 60% or 90%. Japan, for example, has a net debt that is 177% of GDP and its gross debt it 260% of GDP and investors still find it sustainable and arrived at the conclusion at the closure of Portugal's presidency of the EU that there was "no imminent public debt crisis". In fact it has argued that severe austerity measures did more harm than good in the last crisis and now argues that countries should be "careful not to remove support and policies aimed at recovery too early". Cristina Casalinho says that it doesn't matter if you have debt providing you can service that debt.

"The average rate of interest on the Portuguese debt stock is around 2% while the nominal GDP is expanding by around 6% so we still have a large gap, even if it falls back to 2%-3% and inflation keeps under 2% and we add around 0.5%-0.7% from projected improved labour skills to the growth potential we get over 2%, which means we should be ok," says Cristina Casalinho.

PORTUGUESE SAVINGS

There is the idea that in the 1960s and 1970s the Portuguese were are thrifty savers, but with the entry into the EU and the explosion of imported consumer goods coupled with low interest rates, Portuguese consumers went from being big net savers to hardly saving at all. Cristina Casalinho says this is not always seen correctly.

"People tend to read too much into the very high savings rates back then in the 60s and early 70s. You must bear in mind that then emigration was more pervasive than today, and families stayed at home and relied on the male breadwinner. If you exclude remittances sent from abroad from the savings rate calculations, then the internal savings rate was much lower than today at 16-17%," says the head of Portugal's bond agency.

Another factor in savings at that time was the non-existence of welfare, public healthcare and social security which explains why savings dropped from the 1970s onwards. "Portugal's savings rate is low, one of the lowest in Europe, although since the crisis savings doubled from 6% to 12%.

"In Portugal most of these increased savings went into bank deposits and the treasury didn't benefit much from this increase in savings," admits Cristina Casalinho who says that from 2018-2019 there was only a net subscription increase of around €700 million and from 2019-2020 again around €700 million. From 2021 to mid-year, the subscription rate was €350 million.

However, in April and part of May 2020 there was a significant drop in savings certificates when subscriptions dried up because people were confined at home during the lockdown, although there was a significant use of treasury online banking. However, in the second lockdown in 2021 the ICGP didn't notice much reduction at all.

"I think that the public right now is deterred from investing in longer term savings products because if you want to access your money, the two products we offer don't allow for that," Cristina Casalinho points out.

The IGCP offers treasury savings certificates or Certificados de Afforo (not to be confused with bonds) which have a low risk and with interest paid automatically every three months. Now the IGCP only offers subscriptions to Series E certificates with a minimum investment value of €100 (100 units) and a maximum of €250,000 (250,000 units).

MODERNISING CORPORATE AND RETAIL SERVICES

Regarding technology and digitalisation for the "wholesale business" of the agency, Cristina Casalinho says the IGCP compares well with peer agencies in other European countries, although she admits the Scandinavian countries are leading the field in terms of technological developments and that they are an intrinsic part of their national central banks.

In terms of the retail part of the business, the IGCP president says she is satisfied with the rollout of internet banking services for corporate clients, while for the public corporate administration sector — the tax authority is its largest client — it has revamped and modernised its internet banking system and platform in 2020. "We have two hats — the bonds and treasury certificates issuance responsibility, and we also act as a bank for the public administration sector," Cristina Casalinho says adding that the IGCP is now overhauling the technological structure and software of the retail home banking service through a project, still in its infancy, to make it possible for general public savers open online bank accounts directly with the IGCP because presently "if you want to subscribe to or underwrite a treasury savings certificate you need to go to the post office (CTT)".

PRODUCING FUNDING PLANS

The IGCP has an important role in elaborating funding needs and executing the funding plans which are passed down from the government and derive each year from the State Budget (Orçamento do Estado).

"We design the funding plan and then it has to be approved by the government, more specifically the minister of Finance. "Although we are at the end of the line, our funding plan and guidelines still need to be rubber stamped by the ministry," explains Cristina Casalinho.

In conclusion Cristina Casalinho says that Quantitative Easing aside, Portugal's creditworthiness has improved massively over the past few years. "When I started in 2012 the ratings agency Moody's had Portugal at a B2 rating while S&P's rating for Portugal was BB (both junk status).

"Now we have moved up three levels and it took Moody's almost a decade to take us out of non-investment grade ratings and this was almost entirely down to our efforts to make structural and public deficit changes."

But even before QE, which started in March 2015, the spreads on Portuguese 10-year bonds trading in comparison to benchmark Germany were trading at a 190 base point spread. At that time Spain traded at 100 base points and Italy 120 base points. In other words, Portugal's bonds were trading at a more expensive rate by almost 200 base points compared to Germany.

"That gap with Germany is now closing and for Portugal these differentials today mean that we are now trading at 53 base points above Germany, Spain trades at 63 base points, while Italy still trades at around 100 base points, so one can see Portugal is doing better than these other southern European countries", says Cristina Casalinho.

"Where we are today makes me happy. Ten years ago, the Portuguese economy contracted 7%, now we're in growth. Things have improved as a direct consequence of overall improvements in our structural fundamentals. The goods and services deficit then had been nearly 10% and this year it's around 1% while leveraging in the private sector has also been going down gradually," concludes Cristina Casalinho, President of Portugal's debt management and treasury agency IGCP. ■

Mário Centeno Optimistic about recovery

There are good reasons to be cheerful for Mário Centeno who runs Portugal's central bank - Banco de Portugal - as the country's economic recovery looks robust. However, there's no time to rest on laurels

TEXT AND PHOTOS **CHRIS GRAEME**

Portugal's economy is on track to register growth of 4.8% for 2021, company and private savings are at an all-time high, banks are better capitalised, more robust and resilient than they have been for years, and the downward trajectory of public and private debt seen in 2019 looks set to re-continue as the country emerges from the pandemic crisis. However, the Governor of the Bank of Portugal Mário Centeno says there is no room to be lax or complacent when it comes to steering the ship of Portugal's finances on a steady course.

Centeno addressed the American Chamber of Commerce in Portugal (AmCham) in October where his focus was on the Portuguese economy and Europe and during the important week when the minister of Finance, João Leão, delivered the State Budget 2022 to the Portuguese parliament which subsequently was voted down.

It was also at a particularly important time personally for the governor who had served as Portugal's minister of Finance (2015-2017) and headed the Eurogroup of EU Finance ministers (2017-2020) because he had the privilege, as a student of labour economics at Harvard Business School in the United States, to be taught by one of this year's Nobel Prize in Economics winners David Card who with Joshua Angrist and Guido Imbens won for their pioneering research that transformed widely held ideas about the labour force, showing how an increase in the minimum wage does not hinder hiring, while immigrants do not lower wages for native-born workers.

Portugal faces very significant challenges of which the Governor of the Bank of Portugal highlights several which have an impact on financial stability and Portugal and its companies' capacity to secure financing.

SAVINGS

For the first time in Portugal during a crisis period, all private agencies succeeded in increasing their levels of savings. This includes not only families, but also, more unusually, companies. This has provided a leverage that Portugal did not have in previous crises to face recovery periods, but has also enabled Portugal to enjoy continuity in its recovery process.

But one of the most important validations for the Portuguese government's economic policy and performance has been the positive reactions from the

Lara C.Tropa , Antonio Martins da Costa, Mario Centeno, Manuel Maria Correia, Carlos Freire, Diogo Lacerda è Emerico Goncalves

ratings agencies. The upgrade in ratings began with the Portuguese Republic and was almost immediately followed by upgrades in Portugal's financial system which "will surely set an ongoing trend if we continue to respond to challenges and get financing at reasonable terms which both the State and its companies rely on," said Mário Centeno.

EURO CONVERGENCE AND LABOUR REDEPLOYMENT

For four years the Bank of Portugal's policy has been one of continued convergence with the Euro Zone with a current growth of 3.5% contributing towards that goal which Centeno says is "essential and a challenge that Portugal must meet". In fact, the Finance Ministry's forecast for GDP recovery in 2022 should be at a level of 1.3% above that registered in 2019 (2.2%), enabling the return to convergence within the EU.

Within the European context in which Portugal's finances have been boosted significantly with Next Generation EU funds — the funding relying primarily on two financial mechanisms: the collective issuance of bonds, and the revenue sources of the EU budget through which the EU and its member states seek to cover the whole budget expenditure of the recovery package — with the two core pillars for investment action chosen being climate transition and the digitalisation process of European economies.

This goes from pre-school education to all the work and processes performed by companies and enterprises, and the EU has provided a lot of financial resources. The governor of the BoP points out that in every economic crisis, even those which are not caused by structural problems, there is always a redeployment of resources and employment in economies.

Centeno admits the redeployment process in Portugal has yet to occur and will probably not wholly take place for two reasons: the policy measures for the crisis used to provide cashflow to companies and financial support which aimed to avoid variations in employment (i.e., redundancies) for those companies that were financially supported.

"This was absolutely essential to justify an economic and social support on such a scale, but equally important is adapting them over the crisis cycle. This means fortunately that we are recovering

Essential **Economy**

"THE CRISIS WAS UNEXPECTED AND NOT STRUCTURAL AND OUR POLICIES TOWARDS COMPANIES WAS TO ENSURE THE GREATEST DEGREE OF STABILITY POSSIBLE FOR EMPLOYMENT, SALARIES AND COMPANIES. THESE POLICIES INTRODUCED TO DEAL WITH THE CRISIS, WHETHER MONETARY, EXTRAORDINARY FINANCIAL SUPPORT OR BUDGETARY, CANNOT STAY IN FORCE FOREVER AND HAVE TO BE ADAPTED AND STAGGERED AND NOT JUST VANISH FROM ONE DAY TO THE NEXT".

growth and activity levels which are very close to the pre-crisis period," says Mário Centeno.

"We will see a trend towards the structural convergence of the Portuguese economy as a result of the crisis and we must prepare the economy for a new structured growth trend. The growths of 5%, 10% and 3-4% we will see in the coming quarters will not end there and Portugal will begin to grow in terms of values that are closer to a new structured growth trend", he added.

Portugal's GDP by the end of this year should be closer to that of Q4 2019 at 1.3%, while in terms of exports of goods it may rise above this percentage because in terms of investment Portugal was the European country which saw investment fall the least in 2020 (-2%), and even in the lockdowns investment hardly fell, although exports of services will be somewhat below pre-pandemic levels.

Confidence and predictability are essential for economic growth and investment and the Bank of Portugal has had the opportunity of seeing this daily with Portugal's economic indicators reacting to government policy in an immediate and positive way. However, it was not positive for all sectors, specially catering, hospitality and tourism.

The economist is also convinced that Portugal's decision to provide a much wider reach and for longer in terms of the moratoria than other EU member states was "the right decision".

EXPORTS

In H1 2021 exports of goods were +2.9% above those in H1 2019 with the trend continuing. Portugal managed to withstand the slowdown in international commercial trade in H2 of this year caused by industrial supply chain problems, and in recent months recovered exports — despite the slowdown in the automotive sector — in the other goods markets which more than compensated for this fall. "We are growing in recent months more than we were in the beginning of the year, while exports of services saw some improvement the start of Q2 2021 before falling back in Q3 but with a more significant and sustained recovery now which will continue on in 2022/3."

But the most significant data for exports, and those to the US show this, is that Portugal is gaining market share. In the last half of the decade (2010-2020), more specifically between 2015-2018 there has been a trend to gain market share in exports with these market share gains continuing in the H1 of 2021. To June, Portuguese exports gained 1.8% in market share overall country-by-country and sector-by-sector, particularly in France and Spain. In terms of goods, increased market share is across the board. Exports to the US reflected these gains except in terms of tourism and travel.

LABOUR & SALARIES

In the labour market, Portugal has fared well against other European Union member states. In Q2 of 2021 Portugal enjoyed the greatest labour market employment ever seen in the history of the Portuguese economy, far in excess of European levels, and while there has been a slight increase in unemployment, there has been greater employment in 2021 than in 2019, which was a record year. However, there were 50,000 less jobs in H1 2021 in the accommodation, entertainments, bars, and restaurant sectors, but more employment in construction, information technology and communications.

"Compared to the height of the last crisis in 2013, today we have 615,000 more jobs in the labour market in Portugal and the social and economic dynamic at this difficult time now has no parallel with what happened in the jobs market in 2011, 2012 and 2013," says Mário Centeno. In fact, all sectors in Portugal, even those to do with catering and hospitality, have more jobs than in 2013.

Salaries too have recovered significantly to close to where they had been before the pandemic. The first half of this year saw an increase in overall paid salaries of around 8% above the total salaries paid in H1 2019.

INFLATION

The Governor of the Bank of Portugal says that inflation is a phenomenon that affects us all, which is why having a monetary policy is so vital for the confidence and expectations that financial and economic agents have in central banks and their capacity to control inflation.

Inflation has been rising since November 2020, largely due to the reopening of the economy which led to greater and pent-up consumer demand and supply chain constraint (one only had to look at the 70km long queues of container ships trying to get into US ports in October to get the picture).

In June and again in July, the consumer price index or CPI rose by 5.3% on a year-on-year basis, marking the largest such increase since July 2008. You would have to go back to February 1991 to find a larger increase. Despite the US Fed suggesting this round of inflation will be transitory, some experts believe otherwise. While we cannot know with certainty how high inflation will rise or how long it will persist. So, what does Mário Centeno think?

"ALL OF THE STUDIES THAT WE HAVE SHOW THAT (HIGHER) INFLATION IS TEMPORARY BECAUSE AT A EUROPEAN AND PORTUGAL LEVEL INFLATION IS CONTAINED. WE ESTIMATE AN INFLATION LEVEL OF 0.9% FOR THE WHOLE OF 2021".

"All of the studies that we have show that (higher) inflation is temporary because at a European and Portugal level inflation is contained. We estimate an inflation level of 0.9% for the whole of 2021" with two completely different half years results: H1 with negative inflation and from Q2 with a significant acceleration in prices with the inflation rate climbing to 1.8%. (According to the INE In August and September it was 1.3%, in July 1.1% but in June it was -0.6%). In October 2020 it was -0,8%.

"What we are seeing with prices is actually what we had predicted in June and we are not being caught by surprise by the increases which at a European level are of a fiscal nature, particularly because of VAT increases in Germany and rising fuel prices after the price of crude was negative during the crisis," says Mário Centeno.

Again, Mário Centeno believes that the recent increase in fuel and electricity prices should be temporary, despite seeming to be, as he puts it— "currently out of control" and adds "studies at a European level suggest that the effects are temporary and of a fiscal (i.e., fuel duties) nature."

PUBLIC ACCOUNTS

The Governor of the Bank of Portugal says Portugal's debt — both public and private — has again begun to take a downward trajectory in a way that has not been seen in the past before the pandemic and by such a significant measure.

First, there had not been a single country in Europe between 2010 to 2019 which succeeded in reducing its private debt (families and companies) by such an amount and intensity as Portugal had.

Centeno says that a phenomenon has taken place which had not been seen for many decades: Portugal in 2019 had a private debt in terms of percentage of GDP which was below the Euro Zone. Mário Centeno does say that Portugal must reduce its ratio of public and private debt to GDP which is imperative for a country that still has very high debt levels nevertheless (accumulated total debt €762.4Bn) and which is why Portugal must have public accounts which enable ratings agencies like Moody's to increase Portugal's rating as it did this year. (Baa2 Stable)

"The crisis has obviously landed us with a bill, and 80% of Portugal's debt increase in 2020-2021 was public debt (20% private),, so it is therefore very important that our public accounts retake a position of consolidation which will allow us to again continue to reduce the public debt to GDP ratio (it fell 4.3%) so that the interest rates on borrowing paid by the Portuguese republic do not return to levels we saw in the past (above 7% in 2011).

When looking at the primary current expenditure ratios in terms of percentage of GDP, between 2019 and 2021 (estimated) there is an increase of 1.8% (taking away all the effects on expenditure related to the Covid-19 pandemic).

"In the coming years we expect to return to levels of primary current account expenditure that will be close to the pre-pandemic crisis level and which will allow us to continue on the trend of debt reduction that we had in 2019," stressed the former Eurogroup president.

THE BANKING SECTOR

Centeno says Portugal's banking sector has been resilient and shown a remarkable performance and posture throughout the crisis. One of the reasons it was able to do so was the reduction of risk which had taken place throughout the entire banking sector before the crisis. (The quality of its balance sheets, lower ratios of NPLs, increased capital ratios, improvements in cost ratios, the moratoria, and the many support mechanisms from the ECB)

"There have been several billions of euros from Europe of which the Portuguese economy and banking system in Portugal used its share to reduce risk", he says. (Referring to bankruptcies and NPLs)

And continues "all of this has resulted in the evolution of the banking sector in terms of profitability - the banking sector did suffer during the crisis (but not as bad as in 2011-2015) — but had recovered in terms of profitability recovery rate levels by Q1 in 2021 compared to 2020".

In fact, Portuguese banks held €92Bn of external guaranteed financial assets by Q2 of 2021 although the immediate exposure of Portuguese bank assets saw an increase of €5.2Bn compared to Q1 of 2021 according to the BoP.

There has been a sustained reduction in operational costs (much of it staff and branch closures) since the intervention of the 'troika' and an increase in efficiency (digitalisation) over the past years which is continuing. As to NPLs, by the end of 2020 the BoP recorded a total ratio of less than 5% for the banking sector which corresponded to the level of NPLs considered acceptable by the ECB and above which they would have to make more provisions.

"We have a level of NPLs below 5% with cover levels above the European average which is good and liquidity ratios for NPLs much closer to the Euro Zone average which has placed the Portuguese banking system in a completely different light," Centeno explains.

And the economist points out that because of all the measures taken during the crisis in terms of the concession of credit guarantees by the State and the more robust position of the banks by the end of 2019, credit provided to companies have continued to grow in a robust way over 2020 and 2021 and flows of finance did not dry up in Portugal.

In conclusion, the Governor of the Bank of Portugal believes that Portugal and Europe's economic policies should adapt to be able to ensure that the success enjoyed to date in dealing with the crisis is maintained.

"The crisis was unexpected and not structural and our policies towards companies was to ensure the greatest degree of stability possible for employment, salaries and company operations. These policies introduced to deal with the crisis, whether monetary, extraordinary financial support or budgetary, cannot stay in force forever and must be adapted and staggered and not just vanish from one day to the next.

"They should be adapted throughout the crisis and it was much harder to take the decisions we took at the start of the crisis, and the measures we are taking now are easier because the economy is growing but more difficult because we have to work policies at a level of detail that was not necessary at the start of the crisis."

But Mário Centeno is confident about the Portuguese economy. Savings have grown at a level never seen before in crisis periods, the banks have an important role in the financial intermediation process, and all should cooperate and coordinate towards the successful exit from the crisis. ■

Oeiras Padel Academy
the most advanced padel facilities in Portugal

Padel is a big deal in Portugal these days. Gone are the sneers and derision that it's for players who can't master tennis. With 250 clubs and 140,000 players up and down the country, Essential checked out the latest and best-equipped club in Portugal at Oeiras

TEXT AND PHOTOS **CHRIS GRAEME**

Mayor of Oeiras, Isaltino Morais (right) with the CEO of the International Sharing School (left) inaugurates the Oeiras Padel Academy.

Left to right: Caytano Sanchez, Thomas Johanssen, Hugo Condenso and Daniel Booth.

There has been a lot of snobbery and derision about the sport padel over the years, particularly from elite tennis quarters who think of the game as some kind of hybrid poorer cousin for people who don't have what it takes to play serious tennis.

But the fact is that padel (not to be confused with American Paddle Tennis) has been gaining in popularity over the past decade — even though it has been around since 1969 - with 250 clubs in Portugal, some 550 padel courts and 140,000 players of which 40% are women.

And reflecting the game's growing statute and importance, the best equipped and most modern padel courts in Portugal, indeed anywhere in Europe, were officially unveiled in Portugal's technology, research and business hub town of Oeiras in September - Oeiras Padel Academy.

The academy was opened by Oeiras Mayor, Isaltino Morais who whilst admitting he'd never played padel, let alone tennis since he suffered a nasty elbow injury years ago, praised the facilities as one of the best sporting venues he had ever seen in the borough.

The opening of the Oeiras Padel Academy was timely — it coincided with and indeed hosted the APT Padel Tour Circuit's Oeiras Open that month (6-12 September). The event provided a great opportunity to see some of the best Portuguese padel players in the world fight it out.

FROM MONACO TO PORTUGAL

The APT Tour was set up in 2020 by the Monaco property tycoon Fabrice Pastor who is president of the Continental American Padel Federation (CAPF) and, alongside the sponsors, is the main financial backer of the tour.

No stranger to ambitious projects, he built the 20m2 high-tech covered sports stadium in Rosario, Argentina for padel, beach tennis, beach volleyball, basketball, squash, football and hockey last year.

Local primary school children were invited to the official opening.

The aim the tour is to improve the level of competition and statute of the sport which it is hoped will be recognised by the International Olympic Committee within the next few years.

The APT Padel Tour, which is managed by Pastor's Monte Carlo International Sports, had to suspend the first tournaments in Mérida and Acapulco (Mexico) because of Covid-19, but this year, thanks to an agreement reached with the Federation of European Padel (FEPA), the APT Padel Tour was extended to include Europe, and Portugal in this case - and more specifically Oeiras whose brand new premises was the stage where the Portuguese secured the latest places in a round of 16 for the Oeiras Open.

The Portuguese fans gathered at the Oeiras Padel Academy the day before the official opening when the competition went full throttle. Qualifying for the second round with their best players: Diogo Rocha, Vasco Paschoal, João Magalhães, Afonso Fazandeiro, Peu Araújo and brothers Miguel and Nuno Deus, who achieved a victory on the fast track 7/5 6/1 against fellow nationals Plinio Ferrão and Diogo Mota.

On the actual inauguration morning of the Oeiras Padel Academy, the competitors for the Oeiras Round of 16 matches were warming up as the partners involved in the project showed the mayor around the new premises to meet fans, players, but also some of the local children and junior aspiring padel players.

The winning title stayed in Portugal at the finals of the APT Oeiras Open 2021 with Yain Melgratti and Miguel Oliveira becoming the Nº1 players in the country in an exciting match cheered on by 400 fans.

Partner of the Oeiras Padel Academy and CEO of International Sharing School Miguel Santos shows the Mayor of Oeiras, Isaltino Morais around the new Oeiras Padel Academy.

GENESIS OF AN ACADEMY

The project's partners began discussions with Oeiras Municipal Council four years ago to set up the academy on the grounds of a rundown former football pitch, to create innovative and state-of-the-art facilities to satisfy a growing demand for the sport in the Greater Lisbon Metropolitan Area. The result is the best padel facilities in Portugal to date.

The investor partners are Miguel Ladeira Santos, CEO of the nearby International Sharing School at Tagus Park in Oeiras and hotelier Daniel Booth (Sales Executive Pestana Hotel Group). A third partner is padel sportsman Hugo Condenso.

The Oeiras Padel Academy features eight panoramic courts with professional playing surfaces required to attract international competitions, including a main court with colourful grandstands on either side to see the big final matches, a reception area with a padel sports equipment shop and a café with an open-air esplanade area. The total investment and list of investors and their shares has not been made public.

"In September last year we were planning and structuring the investment. In January building works began and between January and April we built the eight courts and created these facilities which are unique in Portugal," says Miguel Santos.

Champions of APT Oeiras Open 2021 Yain Melgratti and Miguel Oliveira.

Santos says attracting one of the best international padel tours — the APT which organised the Oeiras Open - gave a lot of visibility to both the academy and municipality.

By the end of September the academy began work on covered courts, increasing the number to 12 and creating parking space, stepping up investment and improving conditions with a longer-term ambition to expand the number of courts in other places in the municipality and elsewhere.

AN EXTRAORDINARY PROJECT

Oeiras Mayor, Isaltino Morais, recognises the growing importance of the sport, its fan base and players and congratulated the commitment of the investors in a project that again put Oeiras on the map in terms of "extraordinary projects". "I knew it was the best facility for padel in Portugal but I never would have guessed that it would have been so good."

Former international Swedish tennis champion and coach Thomas Johansson who reached the summit of his career as the ATP World Nº7 singles ranking in May 2002 and is the last Swedish man to win a major in singles, is now the General Director of APT Padel and was also at the inauguration.

Johansson said the APT Tour's goal is to make the sport grow world-wide and give opportunities for more people. He said while it was easier to learn than tennis at beginner and intermediate levels, playing championship padel was every bit as challenging and exciting as tennis.

The ex-tennis pro also stressed just how social and inclusive padel can be compared to tennis which often has a more elitist aura about it.

"I started my relationship with padel six years ago and I immediately loved it. It is one of the fastest growing games in the world and with the tour we want it to continue to develop and evolve," he concluded. ■

"ATTRACTING ONE OF THE BEST INTERNATIONAL PADEL TOURS — THE APT WHICH ORGANISED THE OEIRAS OPEN - HAS GIVEN A LOT OF VISIBILITY TO BOTH THE ACADEMY AND MUNICIPALITY". MIGUEL SANTOS, OPA PARNTER.

Portugal's insurance sector
Flexibility in the face of adversity

2020 and 2021 were difficult times for Portugal's economy, not least the insurance sector. However, the President of the Portuguese Association of Insurers (APS), José Galamba de Oliveira says its members were well prepared and showed remarkable resilience

TEXT **CHRIS GRAEME**
PHOTOS **APS**

This year and last have been very difficult years for insurers, let alone the rest of the Portuguese financial services sector, admits the President of the Portuguese Association of Insurers (APS), José Galamba de Oliveira.

He says that when looking back over the pandemic the sector was well prepared overall to meet the needs of companies and families, adopting a policy of outreach and flexibility to find the best solutions — moratoria, the temporary suspension of contracts, premium reductions, among others — to mitigate the effects of the crisis.

The sector is an important one for the Portuguese financial services economy, with around 76 companies employing just over 10,000 staff, 19,000 agents and liquid assets of around €563 million, €466 million net, €13 million in premiums (+11.8%) €81 million (Life) (+14.5%) and €482 million (non-Life) (+7.5%) for 2018/19.

"This is a sector where there is a direct correlation with economic activity and the sector ended 2020 suffering a significant slowdown in the growth that it had enjoyed in recent years. To get some idea of the impact the insurance business in 2020 was about the same in terms of revenues to 2003. This fall was particularly sharp in Life but was also evident in Car and Accidents at Work insurance", explains José Galamba de Oliveira.

"In terms of accident insurance, the effects varied from segment to segment with a reduction in car accident claims in March and April but an increase in multi-risk insurance in housing, commerce and industry. Nevertheless, the sector managed to maintain its solvency ratios and report good results thanks to market stability.

A BUOYANT MARKET

The Portuguese insurance sector has done well over the past few years, although performance is uneven from segment to segment. Health has boom despite two crises with around 3 million clients. The car insurance segment too has done well with 8 million insured vehicles. Accident insurance has equally performed well thanks to a fall in unemployment. Multi-risk and fire insurance, despite growth in recent years, still only covers around 3.8 million homes and there is still a large part of Portugal's housing stock which isn't covered. On the other hand, despite Portugal being a country which has an extreme risk of earthquakes, only 16% of homes are covered, so in the property domain there is still a yawning gap in protection.

BRAND IMPORTANCE

In Portugal, traditional insurance brands which have been in the market for decades, in some cases over a century, like Tranquilidade, Fidelidade and Império Bonança, have a strong association and trust.

"Portuguese brands have a strong reputation, a reputation that has been built up over decades and in some cases over a century and this goes to explain why they have retained their brands despite being bought up by other local or international insurance groups. But there is also a long tradition of overseas insurers in Portugal and so in terms of public perception there isn't a huge difference when it comes to home-grown brands.

HEALTH INSURANCE

The Portuguese health insurance segment was one of the few that grew in 2020 despite the Covid-19 crisis. In fact, it has been growing for six consecutive years. The president of the Portuguese Association of Insurers (APS), José Galamba de Oliveira said growth in health insurance was also seen during Portugal's Great Recession from 2008.

"This consistent growth in recent years shows that the Portuguese people are worried about their health and access to medical care. This year and last was particularly striking because the National Health Service had to focus on the pandemic."

Moreover, with around 3 million people in Portugal with private health insurance and no signs of this demand slowing, the Portuguese private health insurance sector has developed a range of coverage to supplement public services, and this also makes sense because the Portuguese are paying increasing attention to preventative medicine and early detection, and it is vitally important that both private and public pursue a collaborative partnership.

LEGISLATION AND REGULATIONS

In 2019 and 2020 the insurance industry faced major changes in terms of investments, with assets being awarded categories in terms of their effects on the environment with objectives to quantify value losses in brown and green investment shares, and the impact of the new carbon-free economy, cyberattacks and climate change, posing challenges to the insurance industry.

"It is vital that legislation is defined to meet the proposed measures at a European and national level, but it must be realistic and enable the alterations foreseen to be carried out within reasonable timeframes.

"These legislative and regulatory instruments are crucial to enable companies to issue the necessary data in a structured way for a proper sustainability assessment by investors. Considering that many insurer portfolios — around 70% — are invested in private and public bonds, it is easy to grasp why legislative and regulatory developments linked to Green Bonds are important for the sector and/or help to clearly identify which assets and projects are sustainable," says José Galamba de Oliveira.

The APS president says that over the past two years there have been changes regarding the type of information that mutual associations must provide. New legislation came into force which meant that some of the main mutual insurers now must meet EU legislation after a 10-year transition period. "This is a work in progress and a level competitive playing field is essential between the market players, while conditions must be safeguarded to provide greater solidarity to institutions and protection to mutual fund borrowers.

SOLVENCY II DIRECTIVE

José Galamba de Oliveira says the review of the Solvency II directive — it imposes formal governance requirements, mandating roles such as a risk management function, an independent audit function, an actuarial function, and a compliance function. The insurer's processes for risk management should be set out in an Own Risk and Solvency Assessment (ORSA) - "is another fundamental issue. and Changes should be introduced that support adequate evaluation on long-term risks which will enable the insurance sector to continue to invest in the long term while supporting the EU and Portugal in achieving carbon neutrality and sustainable economic growth", he says.

2022 AND BEYOND

José Galamba de Oliveira says that both 2020 and 2021 broke the mould with various challenges for the Portuguese insurance sector and while things are looking up for 2022, there are still uncertainties with ensuring that companies have sufficient capital and ensuring resilience and financial solidity.

"With the pandemic came a raft of changes regarding customer and company priorities. Subjects like the circular economy and energy transition is having a huge impact on a sector which is one of the biggest institutional investors worldwide, while at the same time prepared to take risks linked to the environment and climate change.

"Moreover, with many people still working from home and digital platforms and technology taking on increasing relevance, the risks companies face from cyber-attacks and their ability to withstand them is another big challenge and insurance companies need to ensure they are protected while also being prepared to take risks in this area," he says.

Increasing the number of policies and making the industry more relevant in people's lives is key, which in turn is an indicator of just how developed insurance companies have become. In Portugal, because of the pandemic we have suffered a substantial reduction in insurance take-up (policies take-up ratio/GDP).

"In 2202, which saw a historic fall in Portugal's GDP, insurance take-up fell 5% which is something we haven't seen since 2002. The average premium per capita also suffered a significant drop and it will be a massive challenge to get back to previous numbers, let alone exceed them", admits the President of the Portuguese Association of Insurers (APS), José Galamba de Oliveira.

IFRS 17 2020

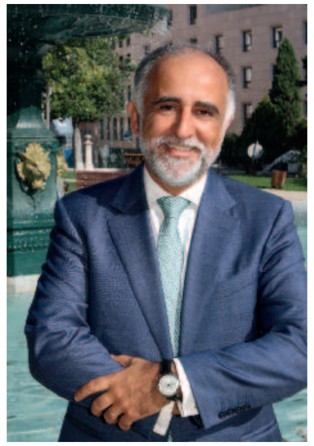
Another important issue facing insurers in Portugal is IFRS 17. The aim of IFRS 17 is to standardise insurance accounting globally to improve comparability and increase transparency, and to provide users of accounts with the information they need to meaningfully understand the insurer's financial position, performance, and risk exposure.

"To meet IFRS 17 insurers in Portugal have been implementing a process of adaptation through high investments in different areas, which include human resources and systems. The adoption of IFRS 17 is an important development when dealing with insurance contract accounting, particularly when gauging their inherent responsibilities, and it is an issue with important impacts on the insurance business when IFRS 17 comes fully online in 2022", concludes the President of the Portuguese Association of Insurers (APS), José Galamba de Oliveira. ■

Essential **Insurance**

Essential Fintech

Miguel Martins (Grosvenor), Anabela Figueiredo (Novo Banco) and João Duque (ISEG)



Luís Laginha de Sousa, Board Member, Banco de Portugal

Chris Sainty, British Ambassador to Portugal and Manuel Caldeira Cabral, (Strategic Council for Startup Portugal)

Climate change
Fintech steps up to the plate

As climate reaches a crunch point, can sustainable business be financially sustainable for investors and stakeholders?

TEXT AND PHOTOS **CHRIS GRAEME**

The British Ambassador to Portugal, Chris Sainty and former Portuguese minister of the Economy, Manuel Caldeira Cabral rounded off the *'II Sustainable Finance Forum - Preserving Ecosystems for Future Generations'* on Thursday which was attended by 30 academic and business experts from Portugal and overseas.

Among the ideas debated at the event which took place at Fintech House in Lisbon and closed at the British Ambassador's residence, were: how to develop expertise in sustainable finance and investment, setting up local think-tanks and business units in sustainable finance in Portugal and elsewhere, supporting the development of sustainable finance products and services, the regulatory framework and data treatment, disclosure and transparency in sustainable finance, avoiding lip-service greenwashing by companies and strengthening the integration of ESG (Environmental and Social Governance) factors into operations, internal processes and practices.

Ambassador Sainty said the topic of sustainable or green finance could "hardly be more urgent or important for us in the UK given that we are just 30 days away from hosting the COP 26 climate change conference in Glasgow".

The ambassador noted that there had been plenty of British voices taking part in the Lisbon discussion (e.g., Finastra, Pioneer Point Partners, Grosvenor - House of Investments, the Cambridge Institute for Sustainable Leadership).

"I think in the UK we can be proud of the international leadership that the UK has shown over a long period in relation to environmental protection and the green transition and that was a major reason why we decided to step up to the plate in the United Nations climate change negotiations and the climate change conference in October", said the ambassador.

UK - A MASSIVE COMMITMENT

The UK was the first country in the world to set long-term, legally binding emissions reduction targets with the Climate Change Act in 2008, with a commitment made in 2020 to slash emissions by at least 68% by 2030 which at the time was the greatest pledge in terms of reductions made by any advanced economy in the world.

In April 2021, the UK government went further in accelerating the commitment in law what are the worlds's most ambitious climate change targets with a 78% reduction in carbon emissions by 2035 by comparison with 1990 levels.

The UK's climate law will, for the first time, extend to international aviation and shipping.

The UK has also led the G20 in decarbonising its economy through its 25-year environment plan with a commitment to leave the environment in a better state than it found it.

"Our prime minister's 10-point plan for a Green Industrial Revolution is another important statement in our commitment to protect the environment, boost green jobs and to accelerate our path to net zero by 2050", said the ambassador adding that there was "no room for complacency".

At the UN Boris Johnson told the General Assembly that the world was reaching a "crunch point" where all these commitments needed to be turned into urgent action.

Meeting these commitments required unprecedented levels of investment with green and low-carbon technology, green services, and infrastructure. "We all know that green finance is essential to providing the flow of capital that we need.

LEADING THE WORLD

"We are leading the world in the design and delivery of financial services that are more innovative and more efficient", said Chris Sainty.

The UK is home to several financial institutions that are helping to finance the green transition - the British Business Bank, The Green Finance Institute, and the new National Infrastructure Bank all support British companies to green their operations.

The UK has also launched its first Sovereign Green Bond which should encourage other countries to do the same, although the issuance of green bonds passed the US$1Tn mark in 2020.

"The rapid growth of green bonds is encouraging more private companies and the private sector to take a hard look at their core activities in order to access this capital," added the ambassador.

Chris Sainty explained that by co-hosting COP26 and presiding over G7 this year, the UK was in a unique position to lead and set an example to the rest of the world through innovative, green, international financial products, regulatory coherence and through the development of taxonomies, on climate and sustainability, guiding investment towards sustainable assets and mobilising climate finance in emerging markets.

LOW YIELDS AND MITIGATING RISKS

Professor and economist Manuel Caldeira Cabral who was a former Portuguese minister of the Economy (2015-2018) and now heads the Strategic Council for Startup Portugal, outlined the challenges for the financial sector (banking and insurance companies) and said that the challenges for sustainable finance were many.

Focusing on risks, both for the holders of pension fund portfolios, banks, and investors, he said that there are risks inherent in both climate change and the transition to a green economy which would mean that regulations would inevitably change.

Some investments that were expected to last for 30-40 years will now have a lifespan that is much shorter, and all of this affects the portfolios of small investors.

There is technology risk too. When talking about green investments in technology for energy and mobility, it means change and innovation and this always carries risks of "not investing in the right innovation", said Manuel Caldeira Cabral.

"These risks have to be studied, factored into the process and mitigated and as supervisors we have to be able to analyse portfolios and examine the risk of these portfolios within a more uncertain environment of rapid technological change and an overhauled regulatory framework and the change of the economy from this green transition," said the current director of the Authority for the Supervision of Insurance and Pension funds.

Then there is the question of yields. These new investments and the idea of having more green investments and sustainable finance can lead to a lot of demand for sustainable investments but which have a limit.

"According to the law of demand these yields are going to be lower which is the idea because we want to have sustainable investments with better financing conditions for them to do well and advance faster," said the economist.

"But low yields for pension funds is something we already have enough of through holding bonds for public debt and this is an issue that we must be aware of," warned Caldeira Cabral.

One of the biggest challenges, he said, was to look at the investments that are economically, environmentally, and socially sustainable and bring more of these investments to the market.

Then there was the challenge of how to certify these investments so that they are genuinely green and sustainable and not just 'green washing' or token publicity stunts.

The EU is working hard on how to classify each investment, but in a second phase banks and insurance companies as well as independent consultancies will have to play their part and build capacity as there will be "many people wanting to invest vast amounts but very few available investment projects."

If there are these challenges, then there are also big opportunities for Portugal which is competitive in solar energy because of the pleasant weather conditions.

"If we don't do our homework of preparing certification in a way that is clear and accepted by the International markets, then we are not going to benefit from the high amounts that are there for this sustainable financial investment and we will miss the boat", said the former minister of the Economy.

Paulo Soares de Oliveira, Managing Director of consultancy PSO Global - Knowledge and Communication which mentored the 2nd Sustainable Finance Forum, whose expert speakers across five panels discussed regulation, the impact of business on bio-diversity, data and the elements and criteria to define regulation in the future, the creation and definition of value in sustainable projects and finance as well as the future leaders in this area of sustainable finance, said: "The question is next year at the 3rd Sustainable Finance Forum, climate change stress tests and to what point ESG (Environmental and Social Governance) has reached.

There is a lot of new regulation coming out of the EU this year, with the potential to dramatically change the landscape of sustainable investing in Europe.

The EU's sustainable finance action plan in 2018 put the bloc at the forefront of creating global sustainability policies. A cornerstone of that strategy was to make environmental, social and governance investing "more transparent with improved disclosure". That led to the Sustainable Finance Disclosure Regulation, or SFDR.

Fund managers will now have to disclose environmental, social and governance risks in their portfolios, marking the first step in a vast EU plan to drive capital to meet sustainable goals. How can they do so, mitigate risk from green transformation investments and keep a viable business model in terms of profits — that is the key question that is still, in many ways, unclear. ■

WOW – It's out of this world!

With 7 world class museum experiences, 12 restaurants, bars and cafés, shops, gallery, events spaces and even a wine school, WOW - World of Wine is a cultural district that pays homage to the city of Porto and tells the story of some of the most important Portuguese industries and traditions

TEXT **SARAH BOLEYN**
PHOTOS **WOW**

Located in the heart of the Port wine cellar district of Vila Nova de Gaia with breathtaking views over the city of Porto and the Douro river, WOW is an urban regeneration of old Port wine cellars and warehouses and the result of a €107 million investment by The Fladgate Partnership (TFP). WOW opened in July 2020, since when it has received hundreds of thousands of visitors and won several national and international awards.

The initial concept for the redevelopment of the area came about in 2006 following the publication of a strategic rejuvenation plan of the Douro riverfront by the local government of Vila Nova de Gaia. At this time, the idea was to create a luxury world-class hotel together with a real estate development on the land where WOW now stands. The financial crisis of 2008 changed that vision. As the global economic crisis deepened, the real estate project was put on hold.

Despite this, TFP decided to push ahead with the The Yeatman hotel, which after two years of construction opened its doors to the public in 2010. Amongst other influencing factors such as the arrival of low cost airlines to Porto, The Yeatman brought much international acclaim and press interest to the city and was a catalyst for the growth of tourism in Porto. The Yeatman quickly won many national and international awards and became renowned as one of the leading wine hotels in Europe.

This link with wine and tourism in conjunction with rapidly increasing numbers of tourists arriving annually to Porto gave rise to the concept of WOW. TFP realised that it would be necessary to create high quality attractions and experiences that were lacking in the city to create a tourism business that was economically sustainable into the

WOW CEO Adrian Bridge, Fladgate Partnership

"WE NEEDED TO BE DIFFERENT TO APPEAL TO A BROADER TARGET AUDIENCE WITH VARYING INTERESTS AND PROVIDE ENGAGING CONTENT TO APPEAL TO A NEW KIND OF EXPERIENCE SEEKING TRAVELLER."

future. This would not only attract new visitors to Porto, but also give them experiences that would entice them to stay longer.

Adrian Bridge, CEO of The Fladgate Partnership saw the need to innovate and to differentiate to add value to the city, "As Porto is one of the wine capitals of the world, making wine the fundamental strategic pillar of WOW made a lot of sense, but imitating the other cellar visits in the area was clearly not going to be a game changer. We needed to be different to appeal to a broader target audience with varying interests and provide engaging content to appeal to a new kind of experience seeking traveller."

The project began to take shape in 2014 with the hiring of the world leading architectural firm Broadway Malayan to draw up the initial plan together with The Fladgate Partnership. One of the objectives of working with such a reputable, high profile firm of architects was to attract potential investors for the project. However, TFP secured the majority of the funding from two European schemes, JESSICA and IFRUU. The lion share of the investment came from IFRUU, €53.3 million, half of which came from the EU thereby reducing exposure of local banks. JESSICA provided a further €11 million with Portugal 2020 putting in €5.4 million. The Fladgate Partnership provided the remaining equity investment of €37.3 million plus the land valued at €11.6 million.

Construction got underway in January 2018 after several years of planning and securing the necessary permissions from local government. There were many engineering hurdles ahead, not least of which was the removal of 125,000 m3 of earth and rock, or the equivalent of nearly 7,000 truckloads. Maintaining some of the historic warehouses in place whilst this excavation was carried out required 7 km of micro piles that thankfully withstood a minor earthquake in September 2018.

Work continued apace even when the pandemic struck and there was clear determination to meet the original deadline of June 2020. Despite some supply chain delays, WOW opened its doors to the public on 31 July.

Since opening, The Wine Experience has been a firm favourite for visitors. Spread over two floors and 3,500 m2 it is the largest museum experience at WOW and aims to demystify wine for all. The Chocolate Story is the museum of choice for families and Porto Region Across the Ages gives visitors and excellent starting point for visitors to understand the heritage and people of the city. With its interactive experience, Planet Cork has also attracted younger visitors as well as school visits. Porto Fashion and Fabric Museum and The Pink Palace were the last two experiences to open in the final phase of the project completed in May and August 2021, respectively.

Tourism has been one of the hardest hit sectors during the pandemic and in 2020/21 Porto received only a fraction of the traffic that it would usually expect. Even after some easing of restrictions globally during the summer of 2021, Porto airport saw only 30% of the tourists it saw in 2019.

Clearly, this has made for a challenging 18 months, but Adrian Bridge remains stoic, "It's been an extremely difficult for everyone, WOW included, but there are signs of recovery now that ease of travel is improving. With the reinstatement of air routes over the coming months, I am confident that tourism will return in force and the wanderlust we have seen in the last decade will continue. Perhaps the way in which people travel will change and I can foresee a tendency towards fewer trips but longer stays. By providing world class content, WOW is perfectly positioned to take advantage of this trend."

WOW is ready to welcome more than 1 million visitors a year with about two-thirds of these expected to visit one or more of the seven museum experiences. Entry prices vary between €17 and €25, however most visitors prefer to purchase a multi-experience ticket of 2 (€28), 3 (€35) or 5 (€55) entrances.

www.wow.pt ■

International Sharing School will have innovative bold designs by Rosan Bosch.

The International Sharing School
Creating an international educational community in the heart of Oeiras Valley

A private family office from Madeira has embarked on an ambitious €50 million International school development in the Lisbon Metropolitan area which will revolutionise private education in Portugal. Essential Business met one of the owners, Miguel Santos, CEO of The International Sharing School

TEXT **CHRIS GRAEME**

The International Sharing School in Oeiras has been open since 2019 but will reach its target of 400 students this year. It has doubled class numbers at all grade levels and acquired and refurbished an additional building from a bank — originally an old microchip factory — now refurbished and open for senior school pupils and which marks the 85,000 m2 first phase of the expansion project.

The next step in phase 1 of the expansion process is the transformation of a 71,000 m2 green plot where long-term surface rights lease has been negotiated with Tagus Park – Portugal's most advanced business, science, and technology park — around the school which will be turned into additional outdoor learning areas for the students and sports facilities, which will include the Sharing Club.

A SHARING COMMUNITY

Like a 'country club' for the international sharing school and community, it will feature gym facilities for parents and students, tennis & padel courts, spa, conference rooms and co-working and office spaces, as well as creating a new hospitality inspired educational concept — the International Sharing School Community.

"The International Sharing School Community is not just a school, it's a community with different services which we will offer by partnering with other companies such as our Arts In Hotels, the Oeiras Padel Academy, so we are using our other ventures to complement the services we offer here at the school," says the CEO of the International Sharing School, Miguel Santos.

Miguel Santos says that being part of the Sharing Community means being part of the local community with green areas for the school children, gym membership, office and co-working spaces and conference rooms for this community. "Our idea is to bring this hospitality mindset of making life easier for the families. Hospitality is the art of taking care of people and this is what we want to bring to our clients."

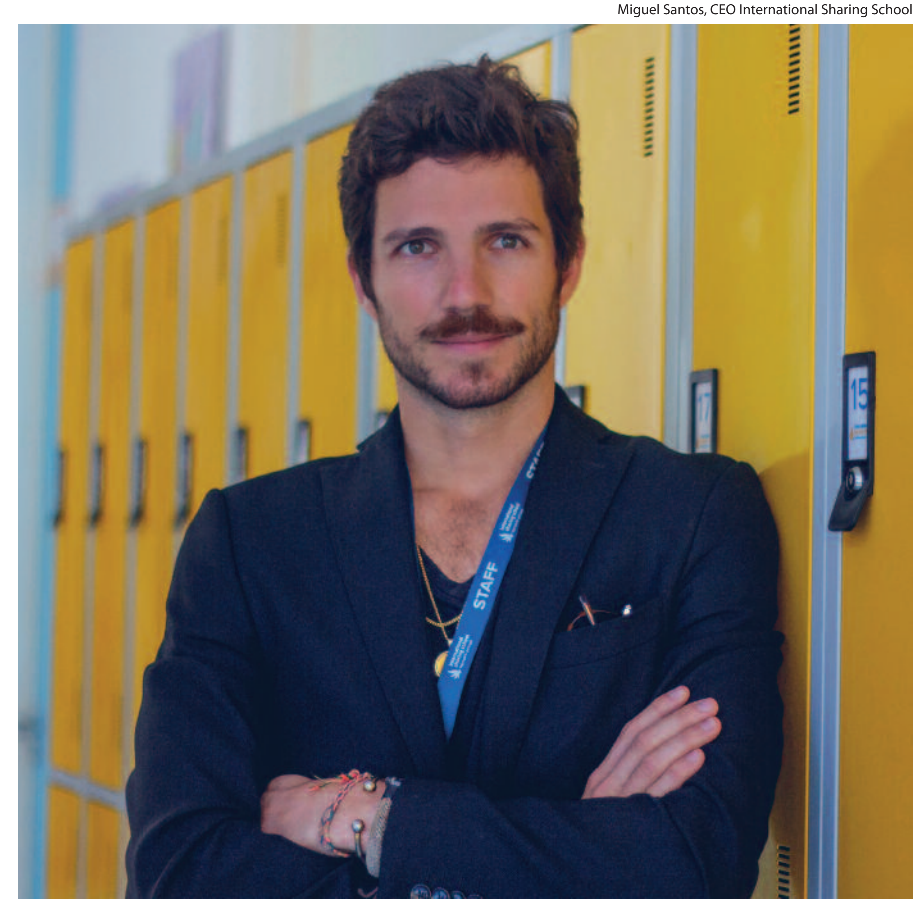
Miguel Santos explains that currently 95% of the school's students live with their families in Portugal while 5% of the pupils are in boarding operations.

The International Sharing School has negotiated the acquisition of additional plots to create the International Sharing School Campus and for one of the plots there are plans to create accommodation for up to 420 boarding students from 12-18.

For the latest expansion phase which involved a €10 million investment in building acquision and refursbishment and is complete, the International Sharing School partnered with Dutch designer Rosan Bosch which specialises in a school learning concept and design which starts from the premise that everybody learns differently and needs variation and supports developing skills for the 21st century.

Spaces are designed on six principles that connect learning situations to the physical framework. Each describes a constellation of learning landscapes for the learner's focus and interaction: the

Miguel Santos, CEO International Sharing School



The interior design is about creating flexible, open spaces, not traditional regimented classrooms.

Mountain top, Cave, Campfire, Watering Hole, Hands-on and Movement.

"The concept is a unique one in Portugal and totally innovative. We opted to go with the concept, adapting it slightly to meet legal obligations in Portugal. The design does not use rooms but rather adaptable spaces where the students can work and learn in different ways", says Miguel Santos.

For the three-month refurbishment and finishes for the new building the architect chosen was Open Book, an award-winning Portuguese group best-known for its ground-breaking design of the Nestlé premises near Lisbon, although the Sharing project management was done internally.

The International Sharing School follows the full IB curriculum from 3 year-old students up to 18 year-olds, which is a student-led project-based curriculum rather than a teacher-led content based British or American curriculum.

"We don't have the traditional classroom and white board, rather working and lounge spaces for collaborative, individual and isolated work. It is a very flexible space which can be adapted for different uses. For example, our dining area can turn into co-working area when meals are not being served", explains Miguel Santos.

"There is even a library with bunk beds for the students to use where they can work individually with their computers. It is about having flexible differentiated areas and not limiting the learning that is going onto fixed spaces".

Miguel Santos says that the problem with traditional 20th century teaching models is that the classroom and white board approach with rows of pupils sat at desks assumes that all children are the same and learn in the same way. "Having this variety of spaces, we respect the individuality of the students and try and encourage the students to be the best that they can be".

PLANS TO EXPAND

And the Madeiran hotel and international school proprietors of the International Sharing School are not stopping there and have ambitious plans to extend the school, its lands, and premises to cater for up to 2,000 students with around 60% of the school's growing base capacity currently set up

The second phase is the acquisition of other plots (44,000 m2) which has already been negotiated, with the operation being concluded before the end of the year.

"In two years, we will be at 100% of our current capacity (700 students) for the first phase and within 18 months want to start the next building".

"Within 10 years we want to have all the investment made, the total construction done to cater for 1,500-2000 students," explains Miguel Santos outlining a total investment of €50 million.

"OUR IDEA IS TO BRING THIS HOSPITALITY MINDSET OF MAKING LIFE EASIER FOR THE FAMILIES. HOSPITALITY IS THE ART OF TAKING CARE OF PEOPLE AND THIS IS WHAT WE WANT TO BRING TO OUR CLIENTS."

FINANCING THE PROJECT

So far, the project's proprietors have invested just over €15 million and are setting up the financial framework and vehicles to enable continued growth. One source of investment will be the Brazilian market where there has been a growing trend of affluent Brazilians seeking to invest or relocate to Portugal through its Golden Visa scheme and obviously want to access top-quality educational facilities for their children. But there is also interest form the US, the Middle East, China, Russia, and other markets.

But in addition to the parents themselves, there are institutional investors such as funds looking to invest in this growing niche market and make a return on that investment. "There are several types of investors who are interested in the international schools market. We have lot of Brazilians ovum to Portugal through the Golden Visa real estate investment option, so we want to present overseas investors with a different option which offers stable returns and buyback options at the end of the investment period", says Miguel Santos.

THE SHARING EDUCATION I FUND

The CEO of the International Sharing school points to that because it is a 'family office' and does not have partners, as well as the banking system's lack of lending appetite for big-ticket investments in Portugal, it has and opted for an open fund and already has investors looking to buy unit participations in the fund.

"Many different funds wanted to buy our school, both Portuguese and overseas funds which see Portugal an education as an attractive option in a healthy market, but we didn't want to sell the school to funds and end up working for them".

Which is why the International Sharing School has set up its own special private education fund through a fund management team with international experience, one which offers a Golden Visa in exchange for a minimum €350,000 investment in partnership with Bison Bank.

The Sharing Education I Fund is a venture capital fund in which applicants — both Golden Visa applicants and general investors — can invest in the two existing and two new International Baccalaureate (IB) certified schools and the students' boarding residence and campus in Oeiras in a project 'Sharing Education 4 Life'.

The Sharing Education I Fund targets returns of IRR > 7%, benefiting from 0% capital gains on tax on fund returns. The fund is an onshore European equity fund for the Golden Visa Portugal and is USA-FATCA compliant.

For Golden Visa investors, these will have the possibility of exercising a put option on year six (the minimum time period the investment in exchange for a right to Portuguese residency and free circulation within Schengen area is five years) with the investor's right to receive its share of the gross income up to a maximum amount of 4%, or in year 10 with the right to receive annually, the share of the gross income up to a maximum amount of 5%. At any time, and on their own initiative, the Golden Visa investors can sell their participation to third parties.

The investment opportunity was unveiled to Brazilian investors in August with the support of the Portuguese Chamber of Commerce in Brazil (São Paulo) entailed 'Investment in Education Fund for Golden Visa'

João Barata, partner at Magnify Partners Financial Advisory which has responsibilities in areas of Real Estate and Wealth Management Investments and is advising the family office, says, "Many overseas investors looking for a Golden Visa apply for it so they can enjoy visa-free travel in the Schengen area but do not want to actually move to or live in Portugal. This is the case with many Brazilian investors, but others too", he concludes. ■

Award winning Dutch interior design artist, Rosan Bosch.

Boosting tourism projects with a global ambition

Pedro Mello Breyner, Portugal Ventures, Executive Board Member

Portugal Ventures currently has €184 million under management, has added over 180 startup companies to its portfolios since 2012 and has invested €171 million since. Despite the Covid-19 pandemic it plans to invest between €15-20 million over two years

TEXT **CHRIS GRAEME**

It has been a busy year for Portugal Ventures, the Lisbon-based public venture capital company that helps finance start-up companies and supports the national entrepreneur ecosystem.

This year saw the exit of two start-ups to leading multinationals with the divestment of Zaask to domestic household electrical goods retailer Worten (part of the Sonae Group) and Mercadão to home-deliveries food company Glovo.

It also announced four new investments: one in digital -Taikai, two in engineering and industry - Reckonai and Watgrid, and one in Tourism - Sleep & Nature.

In April, Portugal Ventures in partnership with Impresa Nacional Casa da Moeda (INCM) launched Call for Enterprise Deep Tech to invest in deep tech solutions acquired by corporate clients in the areas of Digital Identity, Security, Software Development, Data, Infrastructure and DevOps with investment amounts of €250,000 to €1 million. Projects must be founder-led original ideas and be based in the Northern, Central and Alentejo regions of the country which has suffered decades'-long desertification.

In September, Portugal Ventures in partnership with the Government of the Azores announced the first edition of Call Azores aimed at promoting access to €200,000 of venture capital financing per project for innovative projects linked to the autonomous region that can contribute towards the region's growth and development.

Founded at the height of the Great Recession in 2012, Portugal Ventures was the fruit of a merger of three government venture capital companies - Inovcapital, AICEP Capital and Turismo Capital. In 2020 it became part of the Portuguese government's newly created development bank Banco Português de Fomento.

CALL TOURISM AND CALL FIT

Portugal's tourism industry was probably the sector most hard hit by the Covid-19 pandemic of 2020-2021. It is important, therefore, that Portugal Ventures has its 4th investment in tourism programme Call Tourism currently open with the objective of investing between €200,000 to a maximum of €1million in both technology and non-technology projects in the sector. Applications run until 15 November 2021.

Pedro Mello Breyner, Portugal Venture's Executive Board Member (Pictured) adds that the third edition of Call Tourism which ended in January 2021 received 59 submissions with a potential investment of €27.7 million. "Portugal Ventures has invested in two companies with an investment of €1.9 million and has one project under analysis for investment in the pipeline".

"Call Tourism invests in more mature seed projects with some traction and startups which have already acquired their first clients and these investment tickets can be up to €1 million", he says.

"In the tourism sector, we also created in partnership with Turismo de Portugal and NEST - Tourism Innovation Centre Portugal called Fostering Innovation in Tourism, with investment tickets of up to €100,000 for the finalist startup projects", he continues.

After finishing the acceleration programs, Mello Breyner points out that projects sometimes have difficulties getting investment to scale their businesses. Aware of this market failure, Portugal Ventures also created Call FIT (Call Fostering Innovation in Tourism) to invest in these projects when they have the potential to contribute to the development of the country's tourism offer, if they can increase the competitiveness of the tourism sector and if their solutions improve the tourist experience and its quality.

PARTNERSHIP WITH INCM

Portugal Ventures and Imprensa Nacional-Casa da Moeda have partnered to boost projects with global ambition and push entrepreneurs to create unique solutions based on science and technology R&D.

"We aim to invest in Deep Technology solutions acquired by corporate clients, in the following areas: digital identity, security, software development, Data and DevOps. The projects must have a Minimum Viable Product (MVP) with market feedback and some confirmed customers, focusing on tradable goods or services that are part of international value chains, based on fundamental science and technology R&D, and with a clear strategy to protect and enhance intellectual property", explains Pedro Mello Breyner.

PROMOTING START-UPS IN REGIONS

Many start-ups in Portugal naturally gravitate towards large urban or high population centres such as Lisbon, Porto or the Algarve. But Portugal has many regions with a developing start-up infrastructure often linked to university hubs such as Braga and Coimbra to name two, and Portugal Ventures is keen to attract more start-ups to the less densely populated regions of the country.

"Some funds managed by Portugal Ventures are restricted to specific regions precisely to contribute to their development because they are more isolated or less attractive for businesses. For example, we manage funds that cannot invest in companies with registered offices in Lisbon or the Algarve. Although one fund, Tourism Funds, has no limits in terms of location," explains Pedro Mello Breyner.

"Most of the funds we manage are focused on companies that are registered in the North, Centre and Alentejo regions. Also, Portugal Ventures is preparing two specific initiatives for the Azores and Madeira archipelagos," he continues.

CO-INVESTING WITH NATIONAL AND INTERNATIONAL PARTNERS

Beyond this, Pedro Mello Breyner says that since 2012 Portugal Ventures has been building an Ignition Partner Network with over 100 partners, from the north to the south of Portugal, including Madeira and the Azores. This network seeks to create a regular engagemint with the national entrepreneurial ecosystem and a privileged relationship with universities, interface institutes, R&D Centres, incubators and accelerators, so that it can identify investment opportunities and the creation of innovative businesses and projects all over the country.

Moreover, its Ignition Capital Network currently has more than 15 investment partners and aims to boost the activity of private venture capital, in particular in supporting new investment rounds.

"We favour co-investment operations with Portuguese and International investors to successfully grow early-stage ventures, either for our portfolio companies or for new investments.

Taking 2020 as a reference, Portugal Ventures has supported its portfolio

companies with 14 follow-on operations and reinforcements of €4.2 million to provide them with the financial capacity to leverage their businesses.

These operations were conducted with the combined efforts of Portugal Ventures' co-investor partners. It has pet food delivery start-up Barkyn on its books with a Series A co-investment with Indico Capital Partners, All Iron Ventures and the 200M Fund; MindProber, with a structured operation with Wisenext, Ideias Glaciares, Ganexa, Startup Braga, Medioris and Blue Mind Investment. Also, Nutrium in a seed round of €4.2 million with Indico and FIS; Primavera and Startup Braga, and Defined.ai in its Series B of €50.5 million, together with Semapa Next, Hermes GPE, Bynd Venture Capital, EDP Ventures, Evolution equity Partners, Kibo Ventures, Ironfire Ventures, Amazon Alexa Fund, Sony Innovation Fund and Mastercard.

COVID-19 IMPACT

Pedro Mello Breyner says that the companies that work in the tourism sector - and those in Portugal Venture's portfolio are no exception - saw a strong contraction in their businesses, yet they have shown a great capacity to readapt their business plans to the 'new normal', creating and launching new business models, new products and services.

In fact, it has several examples in its tourism portfolio that illustrate the start-ups teams' resilience and their capacity to adapt and turnover quickly.

Doing - opened its activity to more countries in Europe and entered the US.;

Eat Tasty - changed the logistics of a food distribution focused on delivery to offices in the central area of Lisbon (B2B), to arrive at home delivery to customers directly (B2C) throughout Greater Lisbon, including Cascais, Estoril and Lisbon South Bay; it also opened in Porto;

Great Hotels of The World - launched the "Small Portuguese Hotels" brand to leverage the activity of small, independent hotels;

HiJiffy - extended its activity to the entire customer "journey" from pre-booking, to check-in, in-stay, check-out and post-check-out (they only made pre-reservations);

HomeIT - expanded its offer of products and services, initially directed to Local Accommodation, to B2C - city warehouses, co-working spaces, lockers and an offer for hotels is under development;

Oliofora - launched gel alcohol from vegetable raw material of Portuguese origin (Douro Region), in contrast to most other gel alcohol sold on the market, which is of petroleum origin;

Sailside - expanded its boat rental offer to the Brazilian market.

RRP AND BANCO PORTUGUÊS DE FOMENTO

Portugal's new public development bank Banco Português de Fomento (BPF) is a relevant shareholder in Portugal Ventures and has a strong partnership with it to help it achieve its mission. BPF will function as one of the implementing institutions of the Portuguese Recovery and Resilience Plan (RRP) with funds going to capitalise Portuguese companies.

Aside for this, Portugal Ventures has adapted its investment strategy to mitigate financing gaps, allowing the funding of projects in sectors that have not been so attractive to other investors.

Until 2019, Portugal Ventures invested in seed and series A startups, with Minimum Viable Product (MVP), market feedback and some existing customers.

Since 2020, because of the pandemic crisis, and in an economic environment that discouraged the creation

of new businesses, Portugal Ventures was called upon by the Portuguese Government to help entrepreneurs and startups that suddenly saw their businesses slow drastically and in fact kept up the pace of investment by €18 million.

"In response to the pandemic, we launched new financing instruments that aimed to invest in Portuguese pre-seed projects, with investment tickets between €50,000 and €100,000 to boost the development of prototypes, proof of concept and at product-market-fit validation stage", explains Pedro Mello Breyner.

And it doesn't stop there according to the Portugal Ventures head who says that over the next two years the VC will aim to invest between €15 million and €20 million per year and is currently fund-raising to create new funds by the end of the year. ■

PORTUGAL VENTURES SUCCESS STORIES

Zaask - A precursor of a new generation of Portuguese businesses, it has been backed by PV since 2013 with a digital technology project conceived in university and brought to life by its founders by its founders with the support of the Portuguese entrepreneurial ecosystem. Today, Zaask is a leading marketplace for service procurement, most notably household services.

Mercadão concluded its exit in August 2021 and has been acquired by Glovo, a personalised multi-category Q-commerce delivery platform operating in 23 countries and inmate than 900 cities. Backed by Portugal Ventures in 2019, Mercadão quickly achieved its high potential thanks to its availability and offering proven quality in the delivery of groceries to thousands of Portuguese families and has become a leading brand in Portugal.

STARTUPS WITH A PROMISING FUTURE

Doinn - Brings local accommodation owners or managers into contact with the best cleaning and laundry services through a highly professional platform in an idea from Noelia Novella; Nuno Rodrigues and Weronika Figueiredo.

HiJiffy - An innovative solution that centralises, automates, and measures all hotel customer service activities, integrating innovative technology in a simple, reliable, and robust platform, used daily in more than 1400 hotels, in 30 countries. The hotels using HiJiffy have an average automation rate of 80%, being fundamental in a time when the guest's contacts are more and more complex. With HiJiffy hotels can ensure that they will have instant replies 24/7 digital. Its team are Tiago Araújo – CEO & Co-Founder; Pedro Gonçalves – COO & Co-Founder; José Mendonça – CTO & Co-Founder.

HomeIt - Founded by Carlos Rosa offers a smart lock that opens doors using a code created by the owner or via an app, thus by-passing the need for a regular key. Property owners can, therefore, create personal keys for their guests/holiday makers, staff and maintenance crews remotely and online. Europe currently has a market of 5 million local lodging establishments and Homeit is present in 15 countries, with almost 2,000 active boxes.

Tripwix - a luxury travel brand for demanding customers from CEO Francisco Bessa. It operates as an online travel agency where all establishments are kept to the highest standards of curatorship. Homes are personally inspected by Tripwix interior designers, thus guaranteeing customer satisfaction. Short-term rentals have been on the rise, as have the demands of customers who are looking for unique family experiences, and currently represent a US$57-billion market worldwide. Tripwix is currently operating in Portugal, Mexico, Spain, Italy and Turkey.

Essential **Architecture**

David Sampson
Inhouse Contributor

Tikva - A New Jewish Museum for Lisbon

Daniel Libeskind, the renowned architect who designed the Jewish Museum in Berlin and who did the master plan for Ground Zero in New York, has agreed to design the new Jewish museum in Lisbon. It will be called Tikva, which means hope in Hebrew.

The project of a Jewish museum in Lisbon goes back some twenty years. It was about to materialise in 2016 when the Municipality of Lisbon, the Drahi Foundation and the Jewish Community signed a memorandum of understanding to build a museum. It was going to be in Alfama, the oldest district of Lisbon, which for several centuries housed a Judiaria, or Jewish quarter, but after local residents who opposed the project got a court order to stop it the Lisbon Council agreed to look elsewhere in Lisbon. They offered three sites to Association Hagadá, a newly formed non-profit private association, and it chose a prime plot in Belém facing the River Tagus.

On 31st March 2021 the Lisbon Council signed an agreement with the Association Hagadá to grant them a 75-year renewable lease of the site where the new Jewish Museum will be built. The date chosen was particularly significant because it also marked the 200th anniversary of the formal abolition of the Inquisition in Portugal.

Hagadá is a private not for profit organisation set up for the purpose of designing, building and running the museum and it will also be responsible for finding donors and financial backers for the project. Its president, Esther Mucznik, is the grand-daughter of a former rabbi of the Lisbon Jewish community and is currently the vice-president of the community. She will be responsible for designing and organising the contents of the museum.

"The Museum of Hope is going to be built on a wonderful site," says Esther, "facing the Tower of Belem, one of Lisbon's most recognisable landmarks. It is just a short walk along the River Tagus from the Jerónimos Monastery and the nearby museum area.

"We are especially pleased that Roberto Bachmann has agreed to donate to the museum his unique collection of books and materials on the history of the diaspora of Portuguese Jews around the world. It will help to make the Museum an international reference point for study, discussion and research.

"We want the museum to be a place where people can be together, and enjoy the auditorium, the restaurant and the cafe as well as the open area where we plan to display works of contemporary Jewish art. We want it also to be a space for debate and reflection on current issues and for intercultural dialogue. Because, contrary to the narrow vision of those who fear the intermingling of cultures, such dialogue in fact makes a substantial contribution to enriching the identity of a people and a country.

"And we have in Daniel Libeskind an architect who understands the fundamental nature of light and its importance in Lisbon. He has the ability to design a museum which can make the fragments of the history of the Jews in Portugal into a whole new story."

DANIEL LIBESKIND - THE ARCHITECT OF LIGHT DESIGNS A MUSEUM OF HOPE FOR LISBON, THE CITY OF LIGHT

In his book Breaking Ground Libeskind describes the fundamental nature of light in his designs. He says that when designing the Master Plan for Ground Zero "I imagined a triangular plaza which would become lower Manhattan's largest public space. I called it "The Wedge of Light" and it was inspired by the ray of sunshine that had made its way down as we toured the bathtub (the name we gave to the 16-acre 70-foot-deep pit created after the debris of the Twin Towers was removed)".

He later describes the effect light can have and how the temples at Paestum in Southern Italy "rose into the sunlight and stood in seeming defiance of gravity. The beauty was unsurpassable." Later he realised that "temples were venerated not just as architecture, but as gods in stone; lit up, they seemed filled with life, animated by ideas, ideals. Light is divine."

But the absence of light can also be meaningful. "When I designed the Jewish Museum in Berlin, I was tempted to build a room that had no light. The museum chronicles two thousand years of Jewish history. Could there be one unsparing, pitch-black, hopeless volume in it to represent everything that was lost during the Holocaust?" He remembered a story told by a survivor of being transported in a cattle wagon and finding a vision of hope when she caught sight of the sky through the slats in the roof. Inspired by this vision Libeskind designed the Holocaust Tower, which is set apart from the rest of the museum, empty and forbidding. "But it is not dark. High in the ceiling, and angled so acutely that you can't see it, is a slit that lets in a line of light, which is then reflected on the concrete walls and floor of the Void."

"Light is the measure of everything. What you remember is in light, the rest is in darkness. The past fades to dark, and the future is unknown, just stars."

"Light is about letting the darkness be there. ... Light becomes tangible only when it lands on something solid – a body or a building – when it crawls, darts, engraves its presence on a wall. A city reveals itself in the shadows that its buildings cast. What colour is light? Whatever colour it alights on."

THE EXPERIENCE OF LOSS

Libeskind is clear that he brings the personal history of his family to bear on his work. "As someone who was born in the post-Holocaust world to parents who were both Holocaust survivors, I have thought a lot about trauma and memory. Not the trauma of a singular catastrophe that can be overcome and healed, but a trauma that involves the destruction of a community and its real yet virtual presence. I find myself drawn to explore what I call the void – the presence of an overwhelming emptiness created when a community is wiped out."

"Buildings have hearts and souls, just as cities do. We can feel the memory and meaning in a building, sense the spiritual and cultural longing it evokes." Many of Libeskind's projects look at the deep cultural connections between memory and architecture. In the case of the Jewish Museum in Lisbon he says, "I organised the museum as a story of how hope accompanied and united the Jewish community."

THE SIGNIFICANCE OF HOPE IN JEWISH CULTURE AND HISTORY

Hope has always played a major role in Jewish life, hope for a better world, hope for more learning or a better life here and now, or hope for the arrival of the Messiah when all nations will come together in peace. In his book The Dignity of Difference Jonathan Sacks, then the orthodox Chief Rabbi of the UK, argued that "God's choice of the Jews was God's way of teaching humanity to make space for difference, by affirming that different peoples should worship God differently.

"In historical terms Judaism represents a living alternative to empires and to their drive to impose on humanity a single form of truth and power. Under all five of the great universalist cultures of

"BUILDINGS HAVE HEARTS AND SOULS, JUST AS CITIES DO. WE CAN FEEL THE MEMORY AND MEANING IN A BUILDING, SENSE THE SPIRITUAL AND CULTURAL LONGING IT EVOKES." DANIEL LIBESKIND, ARCHITECT.

DANIEL LIBESKIND

Daniel Libeskind was born in 1946 in Lodz in Poland which was then under Communist rule. His parents had fled Poland when Hitler invaded in 1939 and had met in the Gulag where they were both imprisoned by Stalin. After Hitler invaded Russia in 1941, they were released and after the war returned home to Lodz, only to find their family and friends all dead, and Jews not welcome. In 1957 they moved to Israel and then on to New York.

As a child Daniel was a highly talented musician and accordion player. He is married with three children and lives and works in both Berlin and New York.

RABBIS IN PORTUGAL AND THEIR HOPE FOR THE FUTURE

The stories of the role of Jews in the Discoveries and of the forced conversion of the Jews of Portugal following the Edict of Expulsion in 1497 have been almost completely forgotten. King Manuel imposed the Edict because he wanted to marry the daughter of the Spanish monarchs Ferdinand and Isabella and she refused to marry unless all Jews and Muslims in Portugal converted to Christianity or went into exile. It is estimated that following the expulsion of Jews from Spain in 1492, and the arrival of many Spanish Jews in Portugal, 10% of the population of Portugal was Jewish.

King Manuel promised ships to take Jews to other countries but in fact no ships were provided and instead the Jews were all taken to nearby churches and forcibly converted. He then promised that at least 30 years would pass before any checks were made on whether the new converts, or New Christians, were living according to the precepts of the Catholic Church or whether they were still practising Jewish rites in secret.

Among the Jews caught in the Portuguese net were three Jews who had come from Spain. Abraham Zacuto had invented the astrolabe which was used by Vasco da Gama on his voyage to India, Rabbi Abraham Sabba had been the head of the Jewish community in Zamora but was now living in Guimaraes and Rabbi Isaac Caro had come to Lisbon to teach Torah (Jewish law).

"My students were like bright light for eyes wishing to see, as stars in the sky," Rabbi Caro wrote. After the Edict of Expulsion "I ran away from the decrees of the King of Portugal; during our journey all my sons died," but he was determined to write his thoughts for posterity. "A person's good deeds and Torah scholarship are like his children. That's why I am writing this book of Torah." His book The Progeny of Isaac was published in Constantinople in 1517.

Rabbi Sabba suffered a similar fate. "By royal decree, my library was confiscated," he later wrote, "Risking my life I kept a manuscript with me, my commentary on the Torah, my most precious possession."

Expecting boats to be available he travelled to Lisbon but "upon our reaching there terrifying news spread. Anyone caught with Jewish texts would be killed. Outside Lisbon I dug a hole. Underneath an olive tree I buried my life's work. It was a beautiful olive tree, safeguarding my Torah ideas and thoughts. To me it was a tree of tears."

Rabbi Sabba refused to convert but after many months in prison he was allowed to sail to Morocco. His family had been forced to remain in Portugal, but he showed tremendous resilience. "I decided to rewrite my Torah commentary from memory to be able to share what had been lost and to restore the crown to its former glory. But I don't know if I recalled all of it correctly, as my initial manuscript was left behind in Portugal".

Rabbi Sabba's commentary in Hebrew was called A Bouquet of Myrrh and was eventually printed in Venice in 1523, 15 years after his death on his way to Italy. The works of Rabbis Caro and Sabba live on and are still cited by other commentators. They are a living tribute to their hope which never died, and to their belief in a better future.

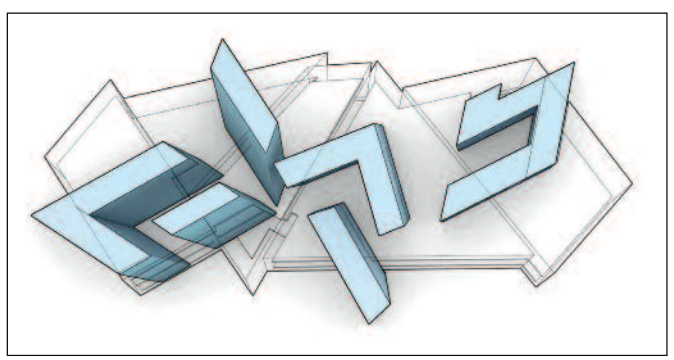
Painting of the Portuguese Suasso Family, painted by Constantijn Netscher, Amsterdam c. 1709.

the West – Alexandrian Greece, ancient Rome, mediaeval Christianity, Islam, and the Enlightenment – Jews have suffered. But the Jews' continued survival offers a well-spring of hope for humanity. The promise that the righteous of all nations will be redeemed is a religious underpinning for human belief in our capacity to dream of and work for a better world."

Libeskind points out that the Jews have no word for tragedy; in Hebrew the word is borrowed from the Greek tragodos. Hope, Sacks declares, is a Jewish characteristic. "Jews have never – despite a history of sometimes awful suffering – given up hope."

HISTORY OF THE JEWS IN PORTUGAL

There has been a Jewish presence in Portugal for at least 2,000 years. For 1,000 years before the Portuguese nation was



founded Jews lived in the territory now called Portugal under Roman, Visigoth and Muslim rule. Subsequently they lived through periods of peaceful co-existence and intolerance under the Kings of Portugal.

Up till now Lisbon has been one of the few major European cities that does not have a museum to celebrate and remember the Jewish presence in the country. Out of the history of the Jews of Portugal has grown a unique diaspora and culture which has spread across the whole world. The purpose of the new Tikvah museum is to explain this history and to show it to both foreign visitors and to the people of Portugal, many of whom know nothing of the richness of this history.

The history of all peoples is also the history of their interactions. The life of the Jews in Portugal is a Jewish and Portuguese history. The museum will show the contribution of the Jews to Portugal and demonstrate that Jewish history and culture are an integral part of the history of this country.

TIKVAH MUSEUM - THE PERMANENT EXHIBITION

The permanent exhibition will include

1 Jewish culture and traditions

2 A review of the history of the Jews in Portugal organised by themes covering five key periods

- The Jews under Roman, Visigoth and Islamic domain;
- The age of the "Convivência" also known as "The Time of the Jews", from the XII to the XV centuries;
- The Age of Intolerance: Expulsion, forced Conversion, Inquisition;
- The Portuguese-Jewish Diaspora, between the XVI and XVIII centuries;
- The contemporary Revival of Judaism in the XIX-XX centuries

"WE WANT THE MUSEUM TO BE A PLACE WHERE PEOPLE CAN BE TOGETHER, AND ENJOY THE AUDITORIUM, THE RESTAURANT AND THE CAFE AS WELL AS THE OPEN AREA WHERE WE PLAN TO DISPLAY WORKS OF CONTEMPORARY JEWISH ART". ESTHER MUCZNIK, HAGADÁ.

COMPLETION IN 2024

The new museum will be divided into 5 blocks, each one in the form of the Hebrew letters which spell the name Tikva. "We will not hesitate to use all available means to stimulate public interest, particularly among the young," says Esther Mucznik. "We have no preconceptions. The bottom line is that the story we are telling should be interesting and appealing, without departing from the truth of what happened."

Hagadá is committed to raising the financing for the new Museum and getting planning permission next year so that it can be built and completed by 2024. This is an ambitious target in a city which is known for its bureaucratic delays but there is no doubt that the opening will be a major event for the city of Lisbon. It will not just lift the city's international profile; it will be a significant acknowledgement of the contribution that Jews have made over the centuries to Portuguese life and culture.

Sketch of the museum showing the River Tagus and the Belém Tower

Stephan Morais, Cristina Fonseca a Ricardo Torgal.

Venture Capital in Portugal a small but growing market

It is a buoyant time now for Portugal's small venture capital segment of the equity market. With banks offering zero interest, investors are looking to higher returns in the venture capital market

TEXT **CHRIS GRAEME**

Until the recent pandemic, the Portuguese economy had been one of the most dynamic in Europe, and this helped fuel interest in Portuguese venture capital (VC) funds.

Despite predictions of venture funding slowing down due to Covid-19, high-net-worth individuals (HNWI) and institutional investors are continuing to look for new opportunities to invest in venture capital funds, who in turn invest in start-ups and small to medium-sized companies in exchange for equity.

For starters, the US and eurozZone economies are awash with cash that needs to be invested, thanks to the amount of quantitative easing and recovery funding that is coming out of the European Central Bank and the Federal Reserve.

According to the Private Equity Activity Report 2007-2020 for Europe, the amount of money in euros invested in all Portuguese private equity firms went from €453,883 million in 2007 (the year when the financial collapse began in the US) to €461,346 million in 2019 (a boom year for Portugal) and fell back to €72,643 million last year.

Of this total, €166 million was allocated to venture capital funds in 2019, but only €50 million in 2020.

Most of the funding came from within Europe (€127 million in 2019 and €42 million in 2020, while the domestic market was responsible for €38 million and €33 million respectively). Investment from the US, according to the same source stood at 0 from 2007 until 2019, with €43 million and €17 million in 2020.

France and the Benelux countries were responsible for €86,532 million in 2019, but only €8,5 million in 2020. From Southern Europe came €38 million in 2019, falling back to €33 million last year. Total all-stage venture capital from around the world went from €94 million in 2019 to €45 million to €54 million in 2020.

The money was used to feed 53 startups in 2019 and 41 startups in 2020 by 78 venture capital companies, of which only a smattering, like Indico, have any substantial investment funds.

Stephan Morais is one of the managing partners of Indico Capital Partners who, together with Cristina Fonseca, co-founder of Talkdesk, and Ricardo Torgal, started the VC in 2017.

MODEST BEGINNINGS

Morais and Torgal had left Caixa Capital, a fund belonging to State bank Caixa Geral de Depósitos, in July 2017 to launch what was to be the first private and independent early-stage VC fund in Portugal. Within two years it had garnered €54 million to invest in mostly Portuguese technology startups.

At that time, there were around a dozen Portuguese companies that had successfully raised capital overseas, mostly in Europe and the US, including one that achieved "unicorn" status, the British-Portuguese Farfetch (an online luxury retail platform). Others followed suit, such as Cristina Fonseca´s Talkdesk (a cloud contact-centre solution), OutSystems (a low-code tech company), and the latest Feedzai, which provides e-commerce and banking anti-fraud solutions and which this year raised US$200 million.

Morais says that between 2016 and 2018, there was a slowdown in available investment capital because there were no VCs of any relevant size in the Portuguese market to invest in promising Portuguese startups.

That did not mean, however, that there was a lack of startups looking for development or growth capital. In fact, there were nearly 1000, but had to look for capital elsewhere, such as Paris, London or in the US, mostly with dim results given their early-stage nature – a market that is mostly local.

By the end of 2019, the fund had invested part of its €54 million in a number of Portuguese startups, including pet food delivery company Barkyn, which went on to secure €1.7 million led by Indico and recently completed its €8 million Series A from the VC and several international investors.

Indico subsequently launched a €12 million pre-seed fund to invest in startups jointly selected for a new Lisbon-based accelerator in partnership with Google for startups. The fund today has €66 million of capital under management, of which it has invested €30 million in 22 companies, and these companies have raised over €680 million with other investors worldwide – from sovereign wealth funds to major European and Silicon Valley powerhouses.

Last year, Indico´s only non-Portuguese company, TIER, raised US$250 million Series C funding led by Softbank, and already this year, Anchorage, the first crypto bank to be granted a Federal Charter in the US, raised an US$80 million Series C led by GIC, the sovereign wealth fund of Singapore, both companies becoming star performers in the Indico portfolio.

Today, Morais and Torgal manage the most internationally recognised venture capital fund in Portugal. Morais says that although the Portuguese VC market is a small one, it has quality and has definitely continued to grow inline with the European and international market, even in the pandemic year.

LOW INTERESTRATES SPUR INVESTMENT SHIFT

In fact, overall, both the valuations and amount of applied capital is at an all-time high globally. The Chinese market is particularly large and growing fast because it has such huge companies and is now the second largest following the US.

Morais says that one reason why so much money is being applied to VC funds are the low interest rates offered by banks and the poor returns on sovereign bonds, a phenomena which has persisted for such a long period of time, with even negative interest rates being offered in some cases.

"If you are an asset manager, fund or simply have money to invest as a private family office, you cannot afford to let the money sit in a bank account because it is losing money by being eaten up by bank charges.

"Investors are putting their money into other asset classes because they offer higher returns, and this is why there is a shift of capital to the private equity markets in general and the VC market in particular, and partly helps explain why the sector is growing," says Stephan Morais.

Morais explains that when the industry grows, venture capital funds like Indico have more capital under management to deploy to companies. With more competitors, there is more competition for deals and prices will go up, which explains the current high valuations.

The Indico founder says that, while it is now essentially a low interest rate issue, the growth of the VC funds markets is also a by-product of expansionary monetary policy by the US and EU central banks (with a lot of quantitative easing), and the growth in the high technology companies in areas such as AI and cloud-based services. More money has developed technology, and then more technology requires more money to grow within the context of a 13-year period marked by government expansionist policies.

FROM STRENGHT TO STRENGHT

Of the successes this year, in addition to Anchorage´s US$80 million raise in February, mental wellness platform Zenklub raised a €7 million in Series A, focusing on the huge Brazilian market.

In Portugal, a small market, the number of VC companies has risen from 62 in 2007, climbing to 75 in 2019 and 78 in 2020. However, only a few if these are of any great significance. "The number of VCs in Portugal is growing, and the average portfolio size in terms of amount of investment is growing too. But there are only a handful of sizeable VCs and these are bigger than what they used to be," says Morais.

The managers with significant investment capital are Indico Capital Partners and Armilar Venture Partners, both independent, and state-owned Portugal Ventures.

Smaller VCs like Shilling, Faber, Bynd and Mustard Seed MAZE (MSM) also regularly participate in rounds, as do increasingly private equity player Iberis and corporate venture Semapa Next, and long-term investors EDP Ventures. Other players are less relevant, given their smaller size.

GOOGLE AND STARTUPS

Indico Capital Partners has recently announced the 2021 edition of its acceleration and investment programme for young startups in partnership with Google for Startups.

A total of 11 startups who were looking for their first round of investment from institutional investors have by now joined Indico´s pre-seed programme.

This year's programme was presented with Cristina Fonseca, with the aim of encouraging startups that were ready to launch onto the market to apply for Indico's €100,000 investment. The 12-month pre-seed programme includes mentoring presentations from founders and successful international investors, presentations from ecosystem partners, and support in attracting funds and talent.

All of the companies on the programme quickly raise additional capital after having received the upfront investment as part of the programme.

"The investment aims to encourage a greater creation of startups and offer projection to the most promising ones in order to help them go international and take advantage of greater investment opportunities, such as access to more finance from Indico, which could be anything up to €5 million per company," says Stephan Morais.

Indico Capital Partners established the partnership with Google and launched the pre-seed investment programme with Google for Startups in 2020. Some 140 startups in Portugal applied for the programme, and seven were selected to become part of Indico's portfolio, each one receiving €100,000 investment. This year, over 170 have applied and the first four have already been selected.

FUTURE PROSPECTS

Despite the Covid-19 pandemic, because of low interest rates and a highly expansionist central bank policy, there will continue to be money available for investment in asset classes like venture capital applied to promising new startups and dynamic growing small technology companies needing liquidity to expand.

Portugal is likely to continue to produce an increasing quantity of quality innovative technology startups, particularly once the pandemic passes.

Of course, the more money there is in the system, the more money funds – VCs included – will have to invest in companies that need finance, but there is always a fine line between the amount of available capital and the number of companies that will get investment. Indico has evaluated close to 2000 companies to choose only 21, a mere 1% chance of being invested.

Too much capital can cause bubbles, too little capital, as had been the case in 2016-2018, when there were good companies that couldn't access growth capital, and leads to stagnation.

With the release of so much liquidity in a market, the venture capital sector in Portugal is likely to enjoy good times ahead, at least until 2025-6. ■

"IF YOU ARE AN ASSET MANAGER, FUND OR SIMPLY HAVE MONEY TO INVEST AS A PRIVATE FAMILY OFFICE, YOU CANNOT AFFORD TO LET THE MONEY SIT IN A BANK ACCOUNT BECAUSE IT IS LOSING MONEY BY BEING EATEN UP BY BANK CHARGES".

SUCCESSFUL INDICO STARTUPS

Anchorage is the most advanced and secure crypto digital asset platform for institutions.

Barkyn is a subscription for pets offering food, goodies, vet support and personalised care, all in one.

Unbabel is building the Internet´s translation layer, using artificial intelligence to support multilingual customer service for global giants.

Bizay is building a world-leading tech-based B2B marketplace driven by disruptive supply chain technology.

eatTasty uses under-utilised kitchen space for outsourcing the production of its daily lunch menus for hyperlocal delivery.

TIER Mobility is a micro-mobility operator that aims to provide sustainable, ride-sharing solutions to its customers.

Essential **Investment**

California and Oeiras looking to partner on renewable and environmental projects

A delegation from California, including 10 elected state officials, was in Portugal for 12 days in October to understand why Portugal is such a success story in terms of climate change and renewables, and look at ways the Portuguese Republic and the US State can cooperate on current and future projects

TEXT **CHRIS GRAEME**

Patrícia Akester (ACL), Patrick Siegler-Lathrop (ACL President), João Pedro Matos Fernandes (Minister for the Environment), Nuno Sá Leal (Unidcom), Theo Wolf (ACL) Rui Marcelino (Alma Design).

A high-level delegation from the US state of California visited Portugal in October to explore ways in which both could partner on renewable energy, tackling forest fires and business opportunities in technology.

The welcoming event organised by the American Club of Lisbon, sponsored by Grupo Bel which operates in the US, FLAD and American international school CAISL and supported by Oeiras Municipal Council took place at Tagus Science and Technology Park.

It launched a series of meetings and visits in Oeiras and Portugal by Californian State Government (Assembly and Senate) representatives, board members and directors of California companies and agencies, environmental entities and guests with the aim of "exploring and deepening a potential business partnership between California and Portugal".

The President of the American Club of Lisbon, Patrick Siegler-Lathrop pointed out that the US State of California is the most populous in the country with its economy — were it a country — ranking sixth in the world, ahead of even the United Kingdom and "both have introduced many initiatives in reducing greenhouse gasses".

It is also known for its leadership in introducing climate change and environmental legislation, leading the way in emissions standards and ambitious private actions which many other US states have followed.

"These were designed to prove that success in reducing greenhouse gas emissions can be combined with a thriving economy".

The CEO of Tagus Park, Eduardo Correia pointed out that the municipality of Oeiras accounts for 11% of Portugal's GDP - 1.5% more than Portugal's tourism industry — and has the most advanced science and technology park in Portugal which is also a showcase and a European case study, particularly in the area of environmental behaviour (recycling, environment and use of space).

He pointed out that the Californian population was four times larger than Portugal (40 million), 4.5 times larger than Portugal in terms of land area, produces 3.5x per capita productivity compared to Portugal and so "we have a lot to learn from California" although Portugal's exclusive maritime economic zone will be four times the area of California. There is scope, he said, for common projects in environmental, maritime and aerospace areas.

But Correia pointed out the shared threats of wild fires that have devastated both Portugal and California, and also expressed a hope that there would be other projects that could be shared ventures in business, science and technology, since Oeiras has some of the most important startups - four unicorns that already have a presence in Silicon Valley. "We are always keen on finding new ways of developing common projects".

In fact there is an agreement signed between Oeiras Valley, Silicon Valley, and San José that could be a launchpad for joint projects.

The Deputy Mayor of Oeiras, Francisco Rocha Gonçalves said that on the question of the climate and energy crisis, energy transition needed to be done while safeguarding the standard of living that population demand. "If we don't have the population on our side we will not be able to make the necessary reforms."

He pointed out that drone technology in part was advanced by technology developed at Tagus Park and that Oeiras is geared towards technology, innovation and knowledge. In 1985 Oeiras's economic model was based on polluting industries or in unproductive agriculture. In three decades the municipality transformed to an economic model based on digital information and communication technologies.

Jay Hansen, President of the California Foundation on the Environment and the Economy - CFEE told the speakers, delegates and guests that looked for best practices in terms of energy, water, transportation, housing and technology, all of which were in the fore in the municipality of Oeiras.

"We'd been trying to come to Portugal for two years, this being the third time we'd planned this after other attempts had been cancelled because of Covid-19" he said pointing out that California has 500,000 people of Portuguese descent.

"We have an amazing relationship with your country on environmental issues and in renewable energy. Portugal is leading the charge and we have come to see what we can learn," he said, adding "It's remarkable, you really are in the top 3 or 4 countries in the world."

While in Portugal the delegation will travel widely including to Lisbon, Porto, Madeira, Coimbra and Viana do Castelo to look at cutting edge green energy projects that Portugal is currently developing. "There is so much to learn and we want to share what we can too", he said.

"AS WE TRY AND GET TO GRIPS WITH THIS EXISTENTIAL THREAT WE HAVE TO LEARN FROM EACH OTHER AND IT WAS VERY DIFFICULT IN CALIFORNIA AND OTHER STATES TO BELIEVE IN CLIMATE CHANGE. EVERY YEAR WE HAVE A CATASTROPHIC WILDFIRE THAT DEVASTATES OUR STATE AND SETS A NEW RECORD FOR HECTARES BURNED." CHRIS HOLDEN, CHAIR OF THE ENERGY COMMITTEE, CALIFORNIA STATE ASSEMBLY.

Chris Holden, Chair of the Energy Committee, California State Assembly referred to the visit as a continued opportunity to "strengthen our relationship" in a general sense, but also in terms of saving the planet.

"As we try and get to grips with this existential threat we have to learn from each other and it was very difficult in California and other states to believe in climate change. Every year we have a catastrophic wildfire that devastates our state and sets a new record for hectares burned," said Holden, not to mention "rolling blackouts" because of massive energy requirements to run air conditioning units due to heatwaves.

"What we're seeing and what we and you know to be true is that this is a worldwide problem and we're here today because we don't have all the answers and we can learn from you regarding offshore wind platforms," said Holden.

Lithium mining, in which Portugal is developing its own programme, is another energy-efficient area in which the state of California is looking to exploit to produce batteries that can last four to six days in what Holden called a "game-changer". "The goal is to be aggressive, thoughtful and cooperate together".

Kristin Kane - US Embassy Chargé d'Affaires who initiated the whole visit process said the initiative was "near and dear to my heart as I am a Californian".

"We support what the delegation is doing, to make sure partnerships can happen, we have talked about fires and Calfire has been working with Portugal's firefighting authorities to learn lessons and forge relationships that can come out this."

"Healthcare is something we are looking at and let me sing Portugal's praises because of the eligible population, 98% are vaccinated. Portugal was also very ahead in innovative companies in the digital sector and Portuguese unicorns that have their DNA in California such as Feedzai, Outsystems, Talkdesk and Remote."

The diplomat also mentioned the exchange programmes such as Fulbright because "we are so tied to Portugal and that people-to-people relationship. Around 1.5 million, most of them in California, take their ties from Portugal". "We have talked a lot about revitalising the transatlantic relationship ties between the US and Portugal", Kane concluded.

Closing the event, Portugal's Minister of the Environment, João Pedro Matos Fernandes said that Portugal had been the first country in the world to decide to become carbon neutral by 2050 which would be accelerated and facilitated in a growing economy which means more mobility and energy.

"We have reduced or emissions by 26% and we believe that being the leaders in fighting climate change we will be the leaders of the most innovative sub-sector of the economy in the near future".

"Portugal is a good country in which to invest where you'll find universities and partners, but you don't find lots of investment money. The financial system is still recovering from the financial crisis of 2008/9 but when the projects are good ones, we will always find ways to finance them," he concluded. ■

Essential Exports

Portuguese coffee a blend of stories

Portuguese coffee blends were virtually unknown outside the Portuguese-speaking world until the last five years. But with the boom in tourism from 2016 onwards millions of visitors discovered one of Portugal's best-kept secrets

TEXT **CHRIS GRAEME**
PHOTOS **AICC**

Coffee, much like football, is a national obsession for the Portuguese. It's the first drink many people grab on their way to work and is indispensable after lunch or dinner in a café or restaurant.

Yet while the world had long been accustomed to Nespresso, Lavazza or Kenco, Portuguese brands were somewhat under the radar of international consumer attention until Portugal became the Number 1 destination in Europe to visit between 2016-2019.

In Portugal the 'bica' — as an espresso is called here — is a ritual that requires time, attention, and affection. In a café society having a 'bica' is a moment. A moment of friendship and love, over which friends share confidences and opinions. When visiting a Portuguese company office, the first thing you'll be offered upon greeting is a 'bica'.

Everyday thousands of Portuguese when they bump into old friends, colleagues and acquaintances say, "we'll really must for a coffee" or "let's have a coffee". They put the world to rights in much the same way as the English do over a cup of tea.

It is part of the national DNA, cutting through society, faiths, and cultures, making it perhaps the most democratic drink in the country.

A RICH COLONIAL HISTORY

The Portuguese have left a footprint on the coffee world, and it has been decisive. It was the Portuguese who introduced coffee to Brazil, today the largest producer in the world and responsible for a third of global production.

It was also the Portuguese who distributed Angolan coffee, especially in the US after World War II. The Portuguese were also partly responsible for its introduction into Hawaii in 1825, and the Philippines in 1740 with seeds from Brazil. Portugal cultivated coffee in all its colonies, particularly Brazil, Angola, and São Tomé.

FAMOUS BLENDS — HOUSEHOLD NAMES

All the Portuguese blends which are household names in Portugal have fascinating histories. Take Nicola for example. The original café that bears its name is still in Lisbon and was where literary figures like the great 18th century poet Bocage used to hang out and was patronised by French 'Jacobin' revolutionaries.

With its sister brand Chave d'Ouro (today owned by the Massimo Zanetto Beverage Group), together they sell one million 'bicas' a day.

Then there is Torrie, a truly Portuguese coffee of French inspiration, it arose in the 1960s. Its founder José Maria Vieira worked in his uncle's "posh grocery shop" that sold coffee from Portugal's colonies Angola, Cape Verde, Timor, and São Tomé. His nephew went into the business and 60 years on the brand is now seen as a young urban brand that is dynamic and trendy.

As for Negrita Cafés, that brand started in 1924 when six professional coffee roasters joined forces and founded

the company which back then was also a grocery wholesaler.

Carlos Pina, owner and one of the founders still remembers the period of smuggling coffee to Spain in the 1960s and 1970s. Customers brought coffee and carab mash and Negrita roasted the coffee according to the wishes of each customer in a wood-fired roasting bowl specially made for this type of coffee called 'torrefacto'. Carlos Pina bought out the remaining partners and turned it into a booming family business.

And one should not forget Buondi, a Portuguese brand with an Italian inspiration founded in 1986 in Portugal, but which today is owned by Nestlé; or SICAL founded in 1947 by Vicente Peres, a shrewd businessman who started off as an importer of roast and ground coffee in Porto with 10 employees and opened his own factory in 1956.

One of the most famous names of all is Delta Cafés, a coffee which is intrinsically tied up with founder Comendador Rui Nabeiro who recounts "my coffee schooling came at the age of 12, helping out my uncles working with roasted coffee that was exported to Spain."

During the Spanish Civil War (1936-1939) there were severe restrictions in imports and the Spanish craved coffee, creating black market demand. By 1961 he had set up his own company, hired three people and they all did everything: roasting, buying and delivering.

He moved to the Spanish border to "smuggle the hidden coffee to the other side" and from then on, the business grew to the coffee empire it is today with around 3,000 employees and various offshoot companies which complement the main business. One of the reasons why Delta has been so successful is because it cleverly targeted the large ex-pat Portuguese community that live in the US, Canada, UK, France, Switzerland, Luxembourg, and South Africa.

Today it is one of his grandsons Nuno Baptista who heads the Portuguese Industrial and Commercial Coffee Association (AICC) and speaks to Essential Business.

"We have always exported coffee around the world but had never thought about how our different coffees could be appreciated in foreign countries until the Portuguese tourism boom which revealed that overseas visitors also loved our coffee", he says.

"Our knowledge and experience go back to the 18th century when we introduce the coffee plant to Brazil and later to Angola, Cape Verde, São Tomé e Principe and Timor. Since then, we have always produced coffee in Portugal from imported beans," he adds.

Nuno Baptista explains how the Portuguese roasters created an umbrella brand 'Portuguese Coffee - A Blend of Stories' to sell Portuguese coffee in target markets to promote, spread and raise awareness of Portuguese coffee as a high-quality espresso with a set of unique characteristics and culture. It also served to support national brands to be recognised by different markets for its blending and roasting process.

"We started in 2016 by promoting it at the food processing industry fair SIAL – Paris. Since then, all the companies have done their own marketing and, as a global brand, we have worked hard to promote and communicate Portuguese coffee both through the Lisbon Coffee Fest and through overseas trade missions," explains Nuno Baptista.

LISBON COFFEE FEST

Running at the end of March each year, and now in its second edition after the 1st in 2019 was a runaway success, the Lisbon Coffee Fest took place over three days showcasing 49 brands, representing 90% of the national market. Two stages were set up which featured concerts, workshops, and talks with experts in the business. There was even the National Barista Championship, a coffee competition inspired by the World Barista Championship (WBC). During the 2019 event attended by 6,000 visitors, 23,000 coffees were served, while some 250Kg of used coffee dregs were sent off to be used as fertiliser on farms and allotments. The event was not held in 2020 or 2021 because of the Covid-19 pandemic but returns in March 2022.

"THE PORTUGUESE HAVE LEFT A FOOTPRINT ON THE COFFEE WORLD, AND IT HAS BEEN DECISIVE. IT WAS THE PORTUGUESE WHO INTRODUCED COFFEE TO BRAZIL, TODAY THE LARGEST PRODUCER IN THE WORLD AND RESPONSIBLE FOR A THIRD OF GLOBAL PRODUCTION".

Delta Cafés Comendador Rui Nabeiro

"Preparations are going great. We have already sold every space available for stands and interest is buoyant. We have also revised and improved the programme, and tickets are already on sale. Due to its success in 2019, we'll be holding the National Barista Championship again like we did in 2019".

EXPORTS STRONG

Despite the pandemic, exports of Portuguese coffee blends were strong in 2020, increasing from €84.1 million to €86.2 million according to data from Portugal's National Statistics Institute (INE) and published by the AICC. Nuno Baptista is confident of its new brand campaign, 'Portuguese Coffee - a Blend of Stories' is bearing fruit.

The project, created in 2017, included market studies and trade missions to the UK and Canada as well as buyers attending the Lisbon Coffee Fest in Lisbon. Both the British and Canadian markets were selected because of "the consistent transactional track record and commercial agreements which provide potential for partnerships to leverage exports," says the AICC.

"The goal is to promote, market and increase the profile and sales of Portuguese Coffee overseas as a top-quality coffee which has a number of unique and distinct characteristics and character, as well as supporting national companies and their brands to be recognised in different international markets", he adds.

But at home the AICC president admits that although the number of Portuguese coffee consumers has increased in recent years, in 2020 due to Covid-19, the domestic market fell which significantly affected café, kiosk, restaurant and hotel consumption. Not surprising when considering that the Portuguese mostly drink their 'bicas' in public places (63%). The downturn in tourism also had an adverse effect on the coffee business in Portugal.

And there are plans to give Portuguese coffee brands and blends even greater visibility in future with a Portuguese coffee visitors centre in either Lisbon or Portugal.

"We too have big ambitions to open a coffee museum in Lisbon or Porto, although to date we have been unable to do so. Still, we do have a Coffee Science Centre in Campo Maior, near Portalegre in the Alentejo region," says Nuno Baptista.

The visitors' centre is the brainchild of Delta Cafés Comendador Rui Nabeiro who has dedicated his entire life to the coffee business. The project was part-funded by the European Union's regional development funds and covers a total area of 3426m2 and attracts many Portuguese and Spanish holidaymakers and day-trippers.

The centre provides an interactive and educational experience of the story of Portuguese coffee, its history, the production process and its vital importance to Portuguese culture, society, and heritage. ■

Coffee Science Centre, Portalegre

Carlos Moedas outlines policies for Lisbon ahead of municipal election win

Lisbon's new mayor, Carlos Moedas, the centre-right PSD candidate who won the capital in the municipal elections in September, outlined his policies for the city which include a raft of measures, from housing and companies, to local taxes and health, at a lunch organised by the International Club of Portugal. "We won against all the odds and everyone" he said after the win. "We have made history in Lisbon".

Carlos Moedas Mayor of Lisbon


Manuel Ramalho ICPT president


Aline Beuvink


André Freire


Paula Caetano


André Pardal


Joaquim Sarmento


Augusto Vaz and Andreia Vaz


Celso Manata


José Melo Pinto

ALAIN HUBERT, 2007
EXPLORADOR POLAR E ALPINISTA

FRANCESCO SAURO, 2014
EXPLORADOR SUBTERRÂNEO

ERLING KAGGE, 1990
PRIMEIRO A CONQUISTAR
AMBOS OS POLOS
E O MONTE EVERESTE

HAROUN TAZIEFF, 1963
VULCANÓLOGO
PIONEIRO

QUAL É O DESAFIO?

Refinado. Polido. Feito para condições extremas. A caixa, a luneta e a bracelete são feitas de aço Oystersteel, uma liga especialmente preparada para resistir à força pura da natureza e acompanhar os pioneiros que desbravaram as grutas mais profundas e conquistaram ambos os polos. Mas também é polida, possuindo um característico acabamento acetinado. Já a excecional legibilidade do mostrador, reforçada pela visualização Chromalight luminescente, foi posta à prova nas nevascas mais cerradas e nas noites mais longas pelos mais indomáveis exploradores, homens e mulheres que inspiraram a nossa própria missão como relojoeiros. Avancemos com a mesma tranquilidade e desejo de explorar. **O novo Explorer II.**

#Perpetual

OYSTER PERPETUAL EXPLORER II

ROLEX