

Venturing forth in philanthropy

Ahead of the European Venture Philanthropy Association's fourth annual conference in Frankfurt in September, we talk to EVPA's Chairman, Doug Miller, to hear about the Association's activities and the venture philanthropy community it serves.

Effect: What are EVPA's key goals?

Doug Miller: We have two key missions. First, to promote the growth of venture philanthropy (VP) in Europe. We do this through country conferences, workshops on specific topics, a website and an Annual Conference. Our Annual Conference in Madrid last year attracted over 300 delegates from 30 countries including western and central Europe, China, South America, South Africa and the USA. We have received excellent support from the European Private Equity and Venture Capital Association and EFC. We build bridges between the financial community and foundations as there are major synergies and lessons to be learned by both sides. Our second major goal is to promote best practice across the sector. We do this through working groups, professional development training and research. The VP sector in Europe is still quite young. Everyone has a lot to learn, especially from foundations.

Effect: How would you define venture philanthropy?

DM: VP has been practised generally by many foundations for a long time. We are not reinventing the wheel, just refining and focusing the effort. We define VP as:

1. Providing capital (eg grants, loans or other instruments)
2. Active engagement and providing value-added services to the organisation being supported (these organisations may be charities, social enterprises or socially-motivated businesses)
3. Focusing on building the organisation's core capacity in general to help it to grow or expand its services or geographic reach
4. Most often a longer-term (3-5 year) relationship with pre-agreed milestones

Effect: How does venture philanthropy differ from other kinds of philanthropic work?

DM: We see VP as a sub-section of the broader philanthropy landscape. Many of our members work alongside other philanthropists, including foundations. The philanthropic landscape is so varied that generalisation is inappropriate. The social ventures our members support often also work with other philanthropists and governments. For the market for social finance to work more effectively, there must be a variety of capital providers. The capital provided by venture philanthropists comes with additional services and a level of engagement somewhat higher than others can or want to provide.

Effect: Is there opposition from the 'non-venture' areas of the sector?

DM: I am not aware of opposition from other sectors per se and we advise our members to be collaborative. We welcome

the current debate on the role of business practices in the social sector. When people move from a successful business career to philanthropy, they have much to learn about the new sector, but properly adapted, their skills, networks and capital are relevant and useful. Several foundations are EVPA members, including Esmée Fairbairn, van Leer, King Baudouin Foundation, Bertelsmann, and Fondazione CRT. We hope to engage more foundations in future. Several of the above foundations have or are considering a VP focus as part of their philanthropy toolbox.

Effect: How does EVPA find common ground for cooperation with venture philanthropists?

DM: Why wouldn't there be common ground? Venture philanthropists are often entrepreneurial, but like all other philanthropists, they care about the issues in society and primarily seek social impact. They happen to do so by applying one of the tools available to all philanthropists. EVPA's experience is that venture philanthropists are eager to learn from each other and from other long-established grant-makers. They also want to co-invest with them and share the experience of past successes and failures, to increase the social impact of each euro invested.

Effect: How does business-style thinking translate into the world of philanthropy?

DM: Most areas of the social sector are very like businesses in many aspects. They have customers (beneficiaries). They have a product or service to deliver. They need to have human resources and specific goals and be well-managed with strategic plans and performance indicators. They need funding. The only big difference is that the objective is social and not financial return. Operationally, of course, there are big cultural differences and philanthropists do not own the social sector groups they work with.

Effect: Is the profit-driven investment mentality at odds with the compassion to help people?

DM: Compassion, the desire to help vulnerable people and address numerous social issues, should be every human being's concern. I have been in the business world for over 35 years. I would say the majority (perhaps even 90%) of the people I have met are well-adjusted and compassionate. They have all had parents, many have had children, some have grandchild-



Doug Miller, EVPA Chairman
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dren and they all live in society. Why wouldn't they wish to address these social issues? Undoubtedly, there are business people and probably venture philanthropists (as well as other philanthropists) who have over-stepped the proper bounds of conduct. This is true in government, education, the military and foundations. Each EVPA member must accept our code of conduct when they join.

Effect: How to avoid investing in profitable but morally-dubious projects?

DM: Environmental, social and governance issues are essential to creating sustainable long-term returns on capital. Astute investors are well aware of this and consider ESG issues in their investment decisions. With any investment you need to consider the various constituencies and find the right balance between their interests. Constituencies include the beneficiaries, funders and governments from a regulatory perspective. In both investments and VP we go through extensive due diligence to evaluate all aspects of the project. But this does not mean that all projects will be successful. By conducting rigorous examination and reporting, we will be transparent about what does not work.

Effect: What's your latest initiative?

DM: There is much work to be done. The EVPA will be moving offices to Brussels in September and will sub-let space from EFC. We shall also increase our staff to provide expanded

services to our members. Sigrid Marz, a German national and formerly partner at Russell Reynolds (the recruitment firm) in Brussels, will be joining us on 1 September as Managing Director. As part of this transition, I shall retire as Chairman. Serge Raicher, a partner from Pantheon Ventures and one of the original EVPA Founders, will succeed me. On a personal basis and with the EVPA's strong endorsement, I shall establish a Seed Fund of some €2m and will invest in establishing new VP funds, initially focusing on central Europe. Rob John, who has been instrumental in establishing the EVPA network and services, will join me. We are also looking at setting up a body like the EVPA in Asia, where there is great interest in the VP model.

The EVPA's fourth Annual Conference will be held at the Johann Wolfgang Goethe-Universität in Frankfurt on 23 September 2008. This has become an important event in the philanthropy calendar: a unique gathering of venture philanthropists. Among the expected 350 participants from some 30 countries will be representatives of the private equity community, foundations, researchers, social entrepreneurs and professional service firms. For more details, see: www.evpaconferences.eu/frankfurt08

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Doug Miller, EVPA Chairman. Photo © EVPA