

Chairman's Letter

Optimism, awe and a big job ahead



The EVPA begins 2007 with a sense of both optimism and awe.

The optimism derives from the interest we've been able to generate across Europe for venture philanthropy and the traction we've gained within the private equity community, foundations, universities, and private banks. All of these constituencies have shown real interest in working with us to create models of high engagement philanthropy across Europe. We are building on this interest by exchanging ideas and developing relationships both within countries and across borders.

The sense of awe is driven by the fact that so much remains to be done in order to translate this interest into social impact. The social needs across Europe multiply daily, whether in the field of education, assistance to the elderly, drug abuse, immigration, crime, international development, disaster relief, and so on.

So, what has been achieved, what remains to be done, and what are our plans for 2007?

Achievements in our first two years

We've attracted 43 members from 12 countries, with many more prospects in the pipeline. Members include venture philanthropy funds, private equity groups, universities, foundations and professional service providers.

Our 2nd annual conference in Paris in September attracted 270 attendees from 21 countries and was double the size of our prior conference in London and 6 times the size of our initial conference in Amsterdam in November 2004. These conferences were unique in bringing together philanthropists, foundations, venture philanthropy funds and members of the private equity/venture capital community.

We commissioned baseline research, *Venture Philanthropy in Europe: obstacles and opportunities*, and published the first ever Directory of venture philanthropy activity in Europe (both are available on our website). We are committed to ongoing research and policy development through our three working groups and collaborations with business schools and other research institutes.

We have used conference platforms provided by other networks to get our message across to a diverse audience: The European Foundation Centre (EFC) to reach foundations; the European Private Equity and Venture Capital Association (EVCA) to reach that community; private banks to reach philanthropists and business entrepreneurs; the Skoll World Forum to reach social entrepreneurs. Through these and other platforms, we can greatly extend our communications reach.

We have brought together venture philanthropy organisations, at all stages of their development, as a high-level peer network, sharing what has worked and what has failed, to learn from each other and strengthen their own operations.

What remains to be done? (a short snapshot from a long list!)

We need to:

1. further expand knowledge about venture philanthropy throughout Europe, to a diversity of professional communities
2. work closely with our membership and others to develop performance measurement and common standards for Venture Philanthropy practice

3. help our members practise venture philanthropy development more effectively
4. build the EVPA into a sustainable but light-footed organisation, responsive to our members and the wider field of philanthropy and social investment
5. build strong local VP networks in countries where we have a critical mass of members (including Spain, Germany, Netherlands and France)
6. help expand the number of VP funds operating across Europe, through encouragement, advice and in some cases direct assistance through our proposed Seed Fund
7. provide professional development training opportunities for the staff and trustees of VP funds
8. engage professional service providers in VP, giving opportunities for them to provide pro bono services to our members (as we have already negotiated with Lex Mundi legal network)
9. promote venture philanthropy through articles in foundation, business and general press
10. reach out to transitional countries in Central and Eastern Europe where philanthropy is emerging

Our specific plans for 2007 include:

1. A members' only workshop in Venice during early February. As you will see from the article below, this took place and was attended by 19 members from 10 countries.

2. holding our 3rd annual conference in October (details to published very shortly)
3. overhauling our website, making it informative and attractive, with member-only sections, to be the best open resource available on European VP
4. building our capacity to better serve the needs of our members by recruiting a Membership Services Consultant (we are very pleased that Jan Balliu has joined us in this role)
5. holding country seminars in Spain, Germany, Scandinavia and Switzerland
6. increasing our membership to 60 by the end of 2007, developing critical mass country by country
7. re-designing our quarterly newsletter, expanding our distribution list and launching a member only news bulletin
8. continuously updating the online edition of our European Venture Philanthropy Directory and seeking sponsorship so that a fully revised hard edition can be launched at our 3rd annual conference
9. giving presentations at philanthropy forums held by private banks in Berlin, Paris and Lisbon to promote high engagement models of philanthropy
10. holding a seminar session at the annual meeting of the EVCA in Rome.

The bottom line is that the EVPA believes that by working closely with the private equi-

ty community, foundations, universities, private banks, and others, we can help create a very vibrant social capital market in Europe, encouraging new inflows of financial and human capital, supporting stronger, more innovative and more sustainable non-profits and social enterprises. In summary, building a network which creates greater social impact across the European Union.

*Sincerely
Doug Miller*

NEW MEMBERS

Full Members



Najeti SL, Spain/France. Najeti is a private French-based investment group with private equity interests in Spain and the US. It has recently launched a venture philanthropy fund. Website www.najeti.com

Associate Members



ASCRI (Asociacion Espanola de Entidades de Capital Riesgo), Spain. ASCRI is the Spanish national association of venture capital and private equity firms. Website www.ascrri.org

Bertelsmann Foundation, Germany. The Bertelsmann Stiftung was founded by Reinhard Mohn in 1977. Its non-profit work is funded predominantly by income earned from its shares in Bertelsmann AG. It is one of the best known and respected grantmaking foundations in Germany.

Website www.bertelsmann-stiftung.de



MISP (Master in International Studies in Philanthropy and Social Entrepreneurship), University of Bologna, Italy. The MISP course includes elements on social entrepreneurship and philanthropy (including venture philanthropy) and its director, Professor Giuliana Gemelli has written publications on venture philanthropy. Website www.misp.it

social entrepreneurship and philanthropy (including venture philanthropy) and its director, Professor Giuliana Gemelli has written publications on venture philanthropy. Website www.misp.it

Personal Associate Member

Mikael Ahlstrom, Sweden. Mikael is a highly experienced and regarded figure in Sweden's private equity industry and the founding partner of Procuritas. He is also the founder of the Swedish Charity Rating organisation, which is similar to Guidestar.

Contact Mikael.ahlstrom@gmail.com or see www.charityrating.org

MEMBERS' NEWS

Venetian member workshop on VP 'relationships'



Nineteen EVPA members from ten countries converged on Venice on 1-2 February for a workshop hosted by the Fondazione di Venezia and organised by EVPA trustee, Luciano Balbo. The workshop, facilitated by David Carrington, explored three relationships critical to good VP practice –with donors, with applicants and with investees. Members explored how to recruit, retain and engage donors who support VP funds. How are the best social entrepreneurs and non-profit organisations selected? What is the best way for VP funders to engage with the organisations they support? What are the pros and cons of taking board places on the organisations funded by VPs? Notes illustrating the key discussions from the workshop will be distributed to all EVPA members.

EVPA workshops are highly participatory events, with members sharing case studies and openly discussing the strengths and weaknesses of their operations in an informal and confidential setting. As one participant remarked, it was characterised by 'lots of learning and networking as well as a very

enjoyable time and beautiful surroundings.' We plan to hold further member workshops during 2007 – we will keep you posted!

For more information see

www.evpa.eu.com

Impetus goes international with Camfed investment

Impetus Trust has made its first investment in the international charity arena, committing to a four-year relationship with Camfed International, which supports poor rural girls through education in Sub-Saharan Africa. The partnership combines infrastructure funding of £450,000 (some of which is expected to come from co-investors) with continuing support for management and capacity building, focussing initially on developing a sustainable model for growth and shaping a longer-term income strategy. Camfed is dedicated to supporting poor rural girls through education in Sub-Saharan Africa and thousands of such girls from poor families across Zimbabwe, Zambia, Ghana and Tanzania directly benefited from the programme in 2005. Camfed believes that girls' education is the 'quickest route to alleviating poverty in Africa.' Impetus will support Camfed in its ambitious four-year plan of extending into three new Sub-Saharan African countries. The organisation has already benefited from pro bono support from OC&C Strategy Consultants who were brought in by Impetus to carry out part of the due diligence.

Contact daniela@impetus.org.uk or see www.impetus.org.uk

NPC report highlights creative use of music by charities



Striking a chord, the latest research report from New Philanthropy Capital (NPC) explores how charities are harnessing the power of music to help transform the lives of those in need. The report highlights the work of a number of charities,

among them, Core Arts, a charity which uses music to help people with mental health issues build up their self-esteem. More than 80 per cent of participants have reported improved levels of self-confidence as a result of their music workshops. Another featured charity, Streetwise Opera, works directly with homeless people, running musical activities to tackle the problems of isolation and self-esteem. One of Streetwise's productions led to 40 per cent of the participants getting back in touch with long-lost family and friends, three participants gaining paid part-time work and one entering formal education.

For more information or to download the report, go to www.philanthropycapital.org/html/Research/music.php

Venturesome – the model and learning since its launch

Venturesome, the risk capital fund launched by CAF in 2002, is soon to release a report reflecting on its learning over the past five years. Venturesome lends to, or invests in,

small and medium sized charities based in the UK. It aims to provide finance in the space between a grant and a loan. In exchange for a social return on its investment, it is prepared to take higher levels of financial risk than a bank would. Venturesome believes the heart of its model lies in two core features:

- accurately assessing financial risk and working with charities to manage this risk down over time (including by using the right financing tools);
- balancing the financial risk with the potential social impact of supporting the charity's work and its organisational development.

The report will shortly be available to download from

www.cafonline.org/venturesome

Contact jludlow@cafonline.org

Partnership between Directorbank and Impetus to help charities make 'step change'

Directorbank has agreed a partnership with venture philanthropy charity, Impetus Trust, to find directors and consultants capable of making a step change in the charities the Trust supports. Directorbank, Europe's leading provider of directors for private equity-backed management buy-outs and buy-ins, will give Impetus access to its register of over 2,500 directors who have signed up to be considered for private equity deals, many of whom are also keen to support charities. Impetus Chief Executive Daniela Barone Soares

said that Impetus only invested where it could help the charity concerned achieve a step change, through rapid growth, turnaround or merger. 'Directorbank can help us find the calibre of director skills to help charities achieve this significant change. Their support will be invaluable to us.'

Contact daniela@impetus.org.uk

or see www.impetus.org.uk

King Baudouin Foundation 'best philanthropy consultant' says Euromoney poll

In its annual worldwide private banking poll Euromoney magazine granted its award for best provider of philanthropy services in Western Europe to the Centre for Philanthropy of the King Baudouin Foundation. The Centre provides information, advice and tailor-made assistance on philanthropy to private donors, sponsor companies and professionals. It also undertakes research, providing detailed analyses of social problems and means of addressing them and seeks to play a leading role in Europe in the area of cross-border philanthropy. Together with other foundations it has created Transnational Giving Europe, a partnership intended to help both private individuals and businesses benefit from tax deductions on donations in their country of residence in the case of the former, or where they have their headquarters in the case of the latter.

For more information, see www.kbs-frb.be

Jan Balliu joins EVPA as Membership Services Consultant

EVPA is delighted to announce that Jan Balliu is joining its team as Membership Services Consultant in order to increase its capacity to provide high quality services to members.

Jan has worked in international philanthropy for the last 18 years, principally with the King Baudouin Foundation in his native Belgium, initially in youth programmes and later developing European operational and grantmaking programmes in 16 countries in Central and Eastern Europe and partnerships with foundations and trusts in six Western European countries. He served for eight years on the Steering Committee of the EFC's Grantmakers East Group.

In 2003, he moved to London and set up as an independent consultant. In 2006, Jan helped establish the WINGS Global Fund for Community Foundations, a new grantmaking initiative inspired by the World Bank to assist the development of community foundations in developing and transitional countries. He will continue to work with the Fund on a consulting basis in addition to his new role at EVPA.

Teach First Estonia launched

The Good Deed Foundation, in partnership with Hansabank and over a dozen other leading businesses in Estonia, is to provide core

funding and capacity building support for a new initiative inspired by the successful concept of Teach First in the UK. Teach First Estonia is a two-year programme which aims to turn outstanding Estonian graduates into inspiring teachers and leaders in all fields of life. Participants have access to a unique teacher training and leadership development programme, including an intensive 6-week



WWW.HEATEGU.EE

summer institute, internship opportunities with some of the most prestigious employers in Estonia and the UK, and a leadership training course at a world-class business school in London. The first cohort of 10-15 young teachers will start teaching at some of Tallinn's most challenging schools in September this year.

For more information, see www.heategu.ee

[Editor's Note: EVPA supports the Good Deed Foundation (formerly The Charities Foundation) with a capacity building grant and technical assistance, as a pilot project in EVPA's Venture Philanthropy Seed Fund programme]

SPECIAL FEATURE

A one per cent solution

Carlo Umberto Bonomi, senior partner of InvestIndustrial, has an idea – if you were to get all European venture capital and private equity funds to give one per cent of their profits to charity and manage them centrally and efficiently, you would raise an annual sum big enough to have a significant impact on a multitude of social problems. He outlined the idea at the EVPA conference in September. We asked him to explain in more detail how it would work, how realistic a prospect he considered it and what obstacles he foresaw to its achievement.



It's what InvestIndustrial, a southern European industrial private equity fund (www.investindustrial.com), itself does in respect of its own corporate foundation, Invest for Children (i4c) (www.investforchildren.org). The company (InvestIndustrial is the Private Equity arm of the BI-Invest Group) founded Invest i4c ten years ago as a channel for its corporate giving. It reflects, Carlo says, the founding members' 'vocation to do charity work, but we wanted to give a professional and efficient direction to that work.' So two years ago, In-

InvestIndustrial devised the idea of giving one per cent of what it made - from the capital gain on the sponsor's commitment to funds, through the capital gain on the team's commitment to funds, carried interest earned on funds, the profits of the management company, as far as the founding partners' salaries - to charity. When the idea was proposed, all InvestIndustrial's founding partners said yes 'and "closed the deal" immediately as the compelling reasoning is clear. Previously there was a lot of goodwill but no real strategy behind our giving.'

A one per cent club

Now, he wants to roll out the idea, and to persuade private equity firms in Europe to adopt the same strategy and to set up a central organisation to manage the resultant funds. There is a straightforward argument for this, he believes - efficiency and the leverage that the amount of capital raised would provide. You would at a stroke take away the costs of running an individual corporate foundation. 'If we had such a fund,' he says, 'I would fire everyone in my foundation tomorrow.' 'The biggest problem in charity is inefficiency,' he believes. 'You can't be egoistic and just look at what you want to do locally because egoism is inefficiency. In today's world philanthropy must be seen as a business and you must look at how to get the best return on your investment because the needs we're trying to address are so big.'

Ideally, he would set up such a central man-

agement fund with a well-paid Chief Executive of proven pedigree. 'You'd go to private equity firms, tell them the idea - we've got this fund managed centrally and by the way, the CEO is Jack Welsh [the successful CEO behind General Electric] for example. This year, we'll give 300 million Euros to tackling malaria and the money will come in on day one.' As this last remark indicates, another important aspect of the plan for Carlo is concentration of the fund's object. 'All the money should go to one project each year, whether it's multiple sclerosis, HIV/AIDS, malaria, Downs Syndrome or whatever, because my experience tells me - focus, focus, focus. I'd rather have five successful big projects than two hundred smaller ones....let's not compete between InvestIndustrial, 3i, Apax, Blackstone, CVC, KKR etc, on the subject of philanthropy, let's put the money to work like we do in the private equity industry so we can be efficient in giving.'

'As an example,' he says, 'I admire Bill Gates, but I admire Warren Buffet more because he saw that using the Gates Foundation could leverage his money better than using his own foundation. But he also told them "I want a seat on the board and you'd better tell me where you put my money" so they're accountable.'

How would it work?

So a central fund would administer the money, but who would decide where to spend it? His view is that there should be an in-

dependent body, whose members the equity firms would nominate but on which they would not be directly represented. 'They'd be elected every five years and they would decide where the money goes and no project gets funded twice.' But he insists that the details of the project can be safely worked out in due course as participants join the project. For the present, the main task is to persuade people to buy into the concept.

He is doing this through personal contact with family or largely-family run private equity companies in southern Europe because 'their decision-making processes, as family-run businesses, is much faster on this subject.' (The founding partners of InvestIndustrial and i4c are Bonomi family members). It won't happen overnight, he acknowledges, but basically, he believes it is a winning formula because 'the argument is so compelling.' What he is proposing is in effect a reform and rationalisation of corporate philanthropy in Europe, at least among private equity firms. His scheme would provide a definite amount of corporate giving, directed at one social problem, and would remove the need for the whole apparatus of corporate foundations.

In practice

He admits, though, that there are certain big constraints to his vision. In practice, he says, though it would be wonderful if all private equity firms in Europe were to join his 1 per cent club, most will be restrained by

their own systems and regulations. This is a second reason why he is concentrating his proselytizing efforts on family or largely family-run foundations.

Institutional investors account for 72 per cent of investments over the past 5 years. The remaining 28 per cent are 'family-related' investment funds, and, based on a net 2 times return (that is, a doubling of the sum invested) on investments which, is 'the industry average' and the official European Venture Capital Association figure, his one per cent scheme could generate from these some €92 million. And there is still the possibility of some of the institutional investors chipping in and an unknown amount from management company profits. 'If all Venture Capital firms and Private Equity firms in Europe gave 1 per cent,' he calculates, 'we are talking approximately €350 million per annum!'

However, even discounting the institutional investors and taking the smaller figure which Carlo's pragmatism suggests, 'we're still talking about big numbers.' No-one would dispute that, but governments and multilateral agencies invest substantially more in the kinds of problems he is talking about without solving them. Why does he think his scheme would succeed where public money has not? 'Because,' he argues, 'what I'm proposing is more accountable and efficient. Government-funded initiatives are great on two counts: they happen and they tend to have a fair amount of money...but they also have two problems: they happen late because of bureaucracy and they tend not to be efficient, because there is usually a lack of accounta-

bility. I therefore would like to see a full "outsourcing" of government charitable funds so the end user gets the best of two worlds: a lot of it and fast.'

Suppressing individual preferences for common benefit

If there is an obvious advantage for family-led firms in the economy of the idea, there are obstacles to be overcome too. The biggest problem, he thinks, is that families often have their own preferential objects of giving, and ones which resonate with them personally. Participants would have to accept that the money would not necessarily go to the area to which they traditionally give. It's a hurdle that the Bonomi family has already confronted and mentally overcome – one of the family has Downs Syndrome and this is the area that i4c concentrates on. And, again, he believes that the common benefit potentially served by pooling resources provides an unanswerable argument.

A variant of this problem is that of parochialism. If, for example, he's talking to companies in Italy and in Spain, won't those companies want their money to go to Italian causes or Spanish causes? He thinks that, at first, this may well be the case and, in fact, having regional associations of the one per cent club, so to speak, may be the most practical way to get the scheme going in the first place. 'I can get twenty Spaniards round a table in Madrid

tomorrow and that's maybe easier than getting together ten Spaniards, five Italians, a German, a Dutchman or whatever and getting them to agree – and maybe they solve a purely Spanish problem.' That would be a beginning to what he sees as a long process. 'Let's face it, it will take time but maybe ten years down the line, we'll have a European fund where people have overcome their preferences and that can put significant money into one cause or problem.'

Finally, he believes there are two more overriding reasons why his idea can and will work. 'First, our generation is much more open. It's got a wider field of experience than the last one and it's seen more of the world. Second, our generation cannot afford not to do something. The gap between the rich and the poor, the haves and the have-nots is expanding. We have a duty to really make it happen.'

Carlo U Bonomi is senior partner of InvestIndustrial. He can be contacted at cub@investindustrial.com For more information on i4c, see www.investforchildren.org

Editorial Note: The views expressed in this article are those of the author, and not necessarily of the EVPA, whose aim it is to encourage debate with regard to the development of the social sector. We hope shortly to open a section on the website to foster an exchange of ideas on relevant topics across different sectors and different countries.

PHILANTHROPY NEWS IN BRIEF

Venture Philanthropy: a viable approach for Germany?

This was the intriguing question posed by a seminar organized in Berlin by Deutsche Bank and the Maecenata Institute for Philanthropy, for an audience of philanthropists, business entrepreneurs and foundation professionals. To help answer it, presentations were made by EVPA (Rob John), Rockefeller Philanthropy (Doug Bauer), the Forum for Active Philanthropy (Felicitas von Peter), Helmut Kirchner (VCM Capital Management) and Charly Kleissner (US/Austrian business entrepreneur and philanthropist).

The rationale for the seminar was that many in Germany regard venture philanthropy as an 'Anglo-Saxon' concept originating in the world of commercial venture capital. The organizers wished to dispel this view, and look at case studies and at ways in which this model of philanthropy could be applied in the German context.

Doug Bauer gave an overview of innovation in American philanthropy and illustrated how many of its pioneers – Rockefeller and Carnegie – took a very strategic and hands-on approach to giving, applying their business methods and instincts to their philanthropy. A modern IT entrepreneur turned philanthropist, Charly Kleissner, explained how being an 'engaged' donor was more satisfying per-

sonally and enabled him to use his entrepreneurial and business skills for the benefit of the social projects he sponsored.

Rob John's presentation illustrated how venture philanthropy was taking root throughout Europe, and that it was, in some ways, more adventurous than in the US. In its European incarnation, venture philanthropy has strong connections with both venture capital and foundation communities and is highly networked and collaborative.

Although some scepticism remained, many attending the seminar recognised in venture philanthropy a movement that could be as much 'at home' in Germany as other parts of Europe or the US.

xigi 'social networking' map gives clear picture of emerging social capital market



A growing number of investors is ready to put money into enterprises, non-profits and for-profits designed for both social and financial gains, according to new online maps from www.xigi.net. Xigi (pronounced 'ziggy,' from zeitgeist) maps are charting the emerging capital markets based on fair trade, microfinance, social enterprise, independent media and clean technology. To date, more than 900 organisations have been input into the xigi database, helping to produce a clear view of who's who in the social

enterprise market and how they are linked to each other. In addition to the 'wikipedia-like' database linked to live graphical relationship mapping, xigi provides a forum for conversation with a blog open to registered users, and comments open to all. The aim of xigi is to track the increasing activity in the social capital market and to build a platform that can both lead to market formation more quickly and make that market 'smarter.'

Xigi was co-founded by Kevin Jones of Good Capital, Sara Olsen of SVT Group and Mark Beam of Collective Intelligence and has attracted funding from The Lemelson Foundation, Omidyar Network, RSF and Calvert Social Investment Foundation. 'This is an open source, community-driven effort that is already providing a lot of value to the industry,' said Tim Freundlich, a xigi Steering Committee member and the director of strategic initiatives for Calvert Social Investment Foundation. 'There's a wave building, and xigi allows both social enterprises and social investors to ride it.'

For more information, see

www.xigi.net

Philanthropy UK's new service to help givers 'join the dots'

Philanthropy UK launched a new online resource, The Philanthropy Directory, in November to help donors 'join the dots' in the UK philanthropy scene, as Philanthropy UK's director, Susan Mackenzie, put it. It complements the organisation's existing Guide to

Giving and provides a guide to the products and services available to UK givers, from databanks of possible charities they can support to advisory services specially tailored to the individual donor. Entries, which in many cases offer detailed profiles, include EVPA as well as UK members Arab Learning Initiative, Impetus Trust, New Philanthropy Capital, Pilotlight, Skoll Centre for Social Entrepreneurship and Venturesome.

For more information, or to search the Directory, see

www.philanthropyuk.org/Philanthropy-Directory.asp

Alliance becomes independent

On 1 January this year, publication of Alliance magazine was transferred from Allavida to a new independent organisation, Alliance Publishing Trust (APT). APT will have close relationships with the Network of European Foundations and the European Foundation Centre, which are both playing key roles in supporting the future development of Alliance. Both organisations are absolutely committed to Alliance's continuing to be fully editorially independent. APT's first Trustees are Rien van Gendt of the Van Leer Group Foundation, Gerry Salole, CEO of the European Foundation Centre and David Carrington. The December 2006 edition of the magazine, meanwhile, has a special feature on the shadow side of philanthropy, with gender, caste and racism among the issues examined and Alliance Online for the same month has a review

of the EVPA Annual Conference in Paris last September.

For more information, visit

www.alliancemagazine.org

To read the review, go to

www.allavida.org/allianceonline/ao-dec06e.html

GrantCraft publishes guide on supporting leadership change

GrantCraft, the Ford Foundation-funded initiative that provides practical resources for grantmakers, has produced a new guide to assist funders in helping the NPOs they support to manage changes of leadership. The guide, Executive Transitions: Grantmakers and Nonprofit Leadership Change looks at the fine line between helping and intruding and at what interventions have worked for grantmakers who have been in the situation.

To read or download the guide, go to

www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=850



2nd Edition of EVPA's European Venture Philanthropy Directory - available free online at www.evpa.eu.com

The EVPA NEWS appears quarterly. If you have comments or suggestions, please contact the editor, Andrew Milner, at am@andrewmilner.free-online.co.uk

The European Venture Philanthropy Association is registered in the UK as a Charity, Registration No 1105785