

## Chairman's Letter

### Fifty members and growing



It is my pleasure to welcome you to the 9th issue of the EVPA newsletter. We have now been operational for 27 months and, in March, reached a milestone 50 members, from 14 countries. Recent members include venture philanthropy funds in

The Netherlands and France, private equity firms in UK, France and Israel, Foundations from France and Germany, and individuals in Sweden and Norway. To be honest, the reception we have received is much more favourable than we initially expected and the good news is that momentum continues to build. New membership applications are averaging 3 per month with enquiries even coming from Asia.

We have been too busy to do a formal analysis of why the interest is so high but my personal assessment is that:

- The EVPA is a broad church and our various types of members (venture philanthropy organisations, private

equity funds, foundations, universities, consultancy firms) all see the benefits and synergies of cross-sector networking.

- Problems in every social sector continue to increase and individuals and institutions, both within and outside the sector, are looking for more creative and sustainable answers.
- The private equity community, high net worth individuals, and professional service firms recognise both the moral obligation and the benefits of engaging with charities and social enterprises to address society's most pressing needs.

We would welcome your input about programmes which we might initiate. Please engage with us.

#### Some specific points:

1. As profiled below, I am pleased to announce that the third Annual EVPA Conference will be held in Madrid on 25 October, hosted by IESE Business School and sponsored by Natixis Private

Equity. Separately, most of you will have received details of this Conference.

This year we aim to provide richer content through panels and breakouts. Programme and registration details will be emailed to you shortly. Our Paris Conference attracted 270 delegates from 21 countries and we expect a similar turnout in Madrid.

To help raise funds for EVPA activities, we have introduced a small attendance fee for non-members for this conference.

2. This year, we are also focussing on Country Conferences and have currently scheduled meetings in France, Denmark, and Norway with future ones under discussion in Switzerland, Germany and The Netherlands. These are mostly half-day events, bringing together local participants, and giving exposure to the VP concept to a variety of audiences. Please contact us if you are interested in participating in any of these and we can provide details of what is coming up in your country.



3. Our annual European Venture Philanthropy Directory is being revised and updated and will be distributed at the Madrid Conference. By that time, we hope to have over 60 members. Separately, we are also planning to publish case studies that illustrate how VP/ social enterprise works and their positive effects on society.
4. Our website is in the process of being redesigned with pro bono assistance from Hill & Knowlton. While the existing site is receiving more than 18,000 visits per month and is generating a number of enquiries, we feel that with more information available and easier navigation, it will be easier for people to use and to engage with us.
5. We have collaborated with the Skoll Centre at the Said Business School on a research project, which explores the non-financial, value-added services offered by venture philanthropy funds when they support charities and social enterprises. You can read more about this work in this newsletter.

We very much appreciate your interest in our activities and strongly urge you to become engaged.

*Doug Miller*  
EVPA Chairman

## NEW MEMBERS

Since the publication of the last, Spring 2007 Newsletter, EVPA has welcomed the following new members:

### Full Members

**d.o.b foundation**, the Netherlands

 The **d.o.b foundation** is a private non-profit organization for development cooperation. It connects people, ideas and organizations to work together for a better, more just world.  
Web [www.dobfoundation.nl](http://www.dobfoundation.nl)

### Associate Members

**Access Capital Partners** is located in France, Germany and Guernsey. Access Capital Partners (Access) is the manager of \$2.2 billion in European private equity funds-of-funds specializing in growth buy-out and also technology funds. Access seeks to assist the VP movement by connecting charitable organizations in France and potential funding platforms within the private equity community as a first step in moving towards the establishment of VP funds in France (and beyond).  
Web [www.access-capital-partners.com](http://www.access-capital-partners.com)



**Evergreen**, Israel



Evergreen is a leading Israeli venture capital firm with a long track record in corporate social responsibility, whose founders are now looking to set up a venture philanthropy fund.  
Web [www.evergreen.co.il](http://www.evergreen.co.il)

**Fondation Ensemble**, France



Founded by Gérard Brémond, chair and CEO of Pierre & Vacances, and his family, the aim of Fondation Ensemble is to contribute to projects which promote a new kind of human development which incorporates environmental protection. The foundation funds programmes in France and abroad for the most underprivileged in the areas of in the areas of water and sanitation, renewable energies, protection of biodiversity and environmental education (in France), among others. All actions undertaken take account of environmental factors and include the protection of the environment and of all living species of animals and plants.  
Web [www.fondationensemble.org](http://www.fondationensemble.org)

**Headway Capital Partners, LLP**, UK



Headway is a London-based private equity secondaries firm looking to support the venture philanthropy movement.  
Web [www.headwaycap.com](http://www.headwaycap.com)

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## Private Equity Foundation, UK

PRIVATE EQUITY FOUNDATION

The Private Equity Foundation (PEF) has been established by leading European private equity firms as a charitable vehicle for the European private equity community. The Foundation is investing in charities working in the areas of children, community support and education, and is focused primarily on the UK with a secondary focus on continental Europe. Alongside financial support, the Foundation seeks to leverage the private equity community's financial and management expertise to assist supported charities in achieving their aims.

Web [www.privateequityfoundation.org](http://www.privateequityfoundation.org)

## TowerBrook Foundation, UK



TOWERBROOK



A charitable foundation funded by the private equity firm, TowerBrook Capital Partners LP and its affiliates, which works with charities in the communities where the company operates.

Web [www.towerbrook.com](http://www.towerbrook.com)

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## MEMBERS' NEWS

### Ashoka to benefit from Goldman Sachs grant for social entrepreneurs

As part of a grant announced in early May, The Goldman Sachs Foundation is to give \$1,100,000 to Ashoka to help launch its inaugural programme in the United Kingdom and expand its newly-established programme in France and Germany. The grant will support social entrepreneurs in the field of education and youth development with financing, a broad range of support sources for business planning and access to a global network of Ashoka alumni and resources. According to Ben Metz, UK Director of Ashoka, 'The Goldman Sachs Foundation funding underpins our continuing roll out in Europe. It will allow us to increase our support to cutting edge social entrepreneurs working in the fields of education and youth development in the target countries.' The grant is part of \$3.6 million to support the academic and leadership development of promising young people and the teachers who work to educate them, as well as for outstanding European social entrepreneurs in education and youth development. Another European beneficiary is the University of Cambridge \$1,200,000 to support an innovative college preparatory programme in mathematics for high-potential students from underrepresented, disadvantaged backgrounds and professional development opportunities for teachers. For more information, contact Ben Metz at [bmetz@ashoka.org](mailto:bmetz@ashoka.org), or Rebecca Nelson at [rebecca.nelson@gs.com](mailto:rebecca.nelson@gs.com)

## Latest guides for funders from NPC

New Philanthropy Capital (NPC) has produced two new guides for donors and funders. The first, Read on: Literacy skills of young people details the extent of literacy problems in the UK and highlights individual support as the most effective way to help children, and prevent problems later in life. It recommends that donors fund charities such as Volunteer Reading Help and Springboard for Children that are providing this support. The second, A long way to go: Young refugees and asylum seekers in the UK, looks at the plight at the over 8,000 children who arrive in the UK each year claiming asylum. A long way to go dispels some myths around young refugees and asylum seekers and draws attention to the difficulty they face in finding school places, navigating the complex asylum system and settling into their new life in the UK. The report highlights exceptional charities that are tackling these problems.

Both reports can be downloaded free of charge from [www.philanthropycapital.org](http://www.philanthropycapital.org), along with two-page summaries on each of the recommended charities

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### One Foundation leverages from Ireland's Dormant Accounts Fund

One Foundation has successfully leveraged its funds by 80 per cent through matching state funding from the government-run Dormant Accounts Flagship Fund for two projects in Ireland. In April, two One Foundation projects secured €2.23 million against its investment

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of €2.8 million over 3 years. The successful projects are Big Brother Big Sister Ireland (BBBS) and Headstrong. BBBS Ireland, which secured €1.23 million, is a national rollout of the US-based BBBS programme which provides a volunteer mentor or 'big' brother or sister to a vulnerable young person for a minimum of a year. Headstrong, a youth mental health NGO started by The One Foundation in 2006, secured €1 million to ensure a national rollout of its programme to assist mainstream state mental health services in 5 Irish communities to improve their services for 12-25 year olds in Ireland.

The Dormant Accounts Flagship Fund, from which the funds came, is a state-run pilot programme to encourage philanthropy. Funds were secured from dormant bank accounts (that is funds in accounts owned by people who have died or otherwise forgotten about them). The Flagship Fund offered €10 million in matching funding for projects that tackle disadvantage or disability and that have minimum project costs of €1 million, with at least €500k in philanthropic funds secured. For more information, see

[www.onefoundation.ie](http://www.onefoundation.ie)

For information on the Dormant Accounts Flagship Fund, see

[www.pobal.ie/live/DAF/215.html](http://www.pobal.ie/live/DAF/215.html)

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### **Fairtrade Foundation becomes eighth Impetus partner**

The Impetus Trust has recently announced a new partnership with the Fairtrade Foundation, which works to improve the lives of poor farmers in developing countries by promoting fairer forms of trade. Impetus will support the Foundation in its strategic planning process over the next 16 months, with a view to making a longer-term investment at the end of that term. As part of the partnership package, Impetus will also facilitate a free, comprehensive sector and stakeholder analysis for the Foundation, undertaken by OC&C Strategy Consultants. According to Impetus chairman Stephen Dawson, 'The Fairtrade philosophy of using consumer power in the developed world to help reduce poverty in developing countries fits well with our own quest for sustainable solutions to social problems.'

Source: Third Sector Online, 14 May 2007

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### **EVPA members collaborate on book about financing social entrepreneurs**

Along with Reinhard Pöllath, of German law firm P & P Pöllath & Partners, EVPA members Ann-Kristin Achleitner, Professor at the Technische Universität München and Director of the Centre for Entrepreneurial and Financial Studies (CEFS), and Erwin Stahl, Director of BonVenture, are shortly to publish a book on the financing of social entrepreneurs. The book entitled Finanzierung von Sozialunternehmern - Konzepte zur finanziellen Unterstützung

von Social Entrepreneurs (Financing of Social Entrepreneurs - Concepts for Financial Support of Social Entrepreneurs) will be published in German. It has a chapter on grant, debt, equity and special forms of financing, a chapter on financing from the perspective of a fund and the role of intermediaries, and concludes with a section of case studies, views of funders, model contracts and links. It will be available from German bookstores as of July 2007.

For more information, contact Ann Kristin. [Achleitner@wi.tum.de](mailto:Achleitner@wi.tum.de)

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### **Venturesome report available on CAF website**

The report on The Venturesome Model, which charts the development of Venturesome over the past 5 years, is now available for download on the CAF website. The report seeks to give an insight into how Venturesome works, and considers potential next steps in building a robust social investment market. As part of CAF Charity Financial Services, Venturesome also recently won the UK's 2007 Queen's Award for Innovation.

To download the report, go to

[www.cafonline.org/Default.aspx?page=7488](http://www.cafonline.org/Default.aspx?page=7488)

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## Wise approaches third anniversary

Wise, now nearly three years old, has successfully concluded the initial phase of its development. Two new staff members joined the team between the end of 2006 and early 2007, Paola Jeanbart, as Programme Manager, and Ariane Wismer, as Research Analyst and new partnerships have been developed in the following areas: children and youth, health, education, water and advocacy. For example, the leaders and organizations that wise's supporters – wealthy individuals and their families work with – have recently been extended to include Ann Cotton, of Camfed in Tanzania (youth and education). For more information, see [www.wise.net](http://www.wise.net)

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## IESE produces technical note on VP

Johanna Mair and Lisa Hehenberger of IESE have written a technical note on venture philanthropy for MBA students, which provides a useful summary of the origins, principal characteristics and main actors of the VP field. It describes the chief features of VP as the provision of expertise and financial assistance (which might not be in the form of a grant); a focus on organisational development; long-term and close relationships; performance and impact assessment; and clearly developed exit strategies. It also enumerates the five main groups that populate the field: investors who want to be very active in monitoring how their money is put to use and who are interested in closely supporting only a small number of organisations; foundations, which

have extensive resources and therefore the potential to 'lead a systematic change of the philanthropic social capital markets;' venture philanthropy funds, which both channel financial resources and provide advisory services to recipient non-profits; the entrepreneurial non-profits that are willing to collaborate with venture philanthropists; and advisers and other intermediaries, who offer their services to venture philanthropy funds that do not have the requisite skills in-house.

The technical note is available in English for a small download fee at

[http://www.iese.com/\(S\(fbwydgubalp1mwewi0byru55\)\)/fichaProducto.aspx?sigla=DGN-656-E](http://www.iese.com/(S(fbwydgubalp1mwewi0byru55))/fichaProducto.aspx?sigla=DGN-656-E)

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## SPECIAL FEATURE

### Backing social entrepreneurs in the German-speaking countries

When BonVenture was founded in 2003, it was the first time a group of investors had set out to use proven venture capital techniques



to tackle social and ecological problems in the German-speaking countries. Erwin Stahl (pictured, left) was there at the beginning so we asked him what BonVenture has accomplished so far, some of the difficulties it has encountered and its experience of being a pioneer

venture philanthropy fund. After all, one of BonVenture's purposes is to serve as a model for a Socially Responsible Venture Capital Fund to be copied elsewhere.

The founders of the Munich-based BonVenture (BV) group acted from the conviction that, in view of increasing social and ecological problems and growing public sector deficits, it's incumbent on all citizens to use their material and intellectual resources to help develop new solutions, to advocate for them among policy-makers and society at large, and to encourage other citizens to contribute to and to replicate those solutions.

BV's goal is to tackle social and ecological problems in the German-speaking countries (Germany, Austria, Switzerland). It also strives to improve efficiency and transparency in the social and/or ecological sector and to set an example for sustainable, social and ecological investments by combining humanity with economic efficiency.

### **Social entrepreneurs as partners**

BV's founders also shared the belief that while money is important, it is not the only factor that makes the difference. So while BV seeks projects that are innovative with a strong social impact and which will be financially self-sustaining in the long-term, it is also a prerequisite that those projects are led by motivated and committed social entrepreneurs, people who think and act as entrepreneurs in leading their social or ecological projects.

But one of the questions they didn't have the answer to at the outset was whether there was such a thing as a social entrepreneur in the German-speaking countries. The answer quickly turned out to be yes. There is an amazing number of individuals with a strong social or ecological vision and the will to turn it, through the establishment of a sound business, into reality.

**There is an amazing number of individuals with a strong social or ecological vision and the will to turn it into reality...**

### **How does it work?**

The great challenge they face – as elsewhere – is to find sufficient funds. As a rule, their return on investment is too small to attract traditional venture capital. At the same time, banks are generally reluctant to finance social business ventures.

That's where BV comes in. It provides its projects with long-term financial resources as well as a network and professional support. As a socially responsible venture capital fund, BonVenture pursues a non-profit approach at the investor level (profits that are not reinvested are donated), sees the achievement of maximum social impact as its main goal, and has as its ultimate financial objective capital preservation on real terms.

Adopting an investment approach, BV aims to invest in a project, together with co-investors, through equity, mezzanine financing, and loans over a period of from one to five years. The current size of its fund is around € 5.5 million, of which about € 1 million have been invested.

### **Areas of work**

BonVenture will invest in projects that provide solutions and services for the following areas:

- children and teenagers, disabled or elderly people as well as the socially disadvantaged
- unemployment and education

- medical care
- innovative social services
- food and water quality
- regenerative energy
- environmental protection and recycling
- protection of nature and of species
- other ecological technologies.

### **Lack of business experience among social entrepreneurs**

**...but few of them have the knowledge or experience required to develop a sound business plan and most are not familiar with the concept and techniques of venture capital**

Social entrepreneurs seeking support from BonVenture must provide a business plan, and, in the German-speaking countries, this has proven to be a problem. As noted above, there are any number of social entrepreneurs in Germany, Austria and Switzerland, but few of them have the knowledge or experience required to develop a sound business plan and most are not familiar with the concept and techniques of venture capital. Often the reason simply is that they have

no professional business background, so BV provides examples of what a business or financial plan looks like on its website. It also sometimes steps in to help social entrepreneurs draw up a sound business plan for their project.

## ***Finding projects has been easy.....***

**From 71 applications in 2003, the number has grown, bringing the total of applications received to 935 by the end of 2006**

Nevertheless the deal flow has developed very well. At the start there were doubts whether BV would have a sufficient number of project applications to choose from, but this proved unfounded and applications soon began to arrive in ever-growing numbers and with almost no effort on BV's side to advertise (indeed, it still doesn't need to do so). From 71 applications in 2003, the number has grown to 364 in 2006, bringing the total of applications received to 935 by the end of 2006.

## ***...Finding investors hasn't***

BV has established partnerships with several very promising projects (see below) and its Socially Responsible Venture Capital model has proven itself useful for the social entrepreneurs involved. For example the TV channel JobTV24, one of the projects supported by BV, has already successfully completed another round of financing with BV and its co-investors. The model is also working according to plan in terms of capital preservation. Nevertheless it has been, and still is, hard for BV to find new investors. The main reason for this is that the concept behind BV is still an unfamiliar

one to potential investors. Conversely, where there are investors prepared to invest their money in social or ecological projects, they have already done so elsewhere.

Investors can either become limited partners in BonVenture I GmbH & Co. KG (BV I) a form of incorporation for German venture capital funds), or they can make tax-deductible donations and charitable contributions to BonVenture gemeinnützige GmbH (BV gGmbH), a corporation which is similar to a foundation. Both are managed by BonVenture Management GmbH (BVM), which is responsible for the screening and implementation of the investments, and also provides a range of internal and external services to support portfolio projects (in particular with regard to human resources, financial, strategic and organisational planning).

## ***Introducing the idea to a wider audience***

An important initial goal of BV was to familiarise a wider public as well as potential investors and social entrepreneurs with the idea of socially responsible venture capital and to advocate the concept of venture philanthropy.

**Investors are strangers to the idea of social enterprise and social entrepreneurs likewise know nothing of venture capital and, if the notion is ever to take off, the two must be brought closer together**

Subsequent experience has also shown how crucial this is, since investors are strangers to the idea of social enterprise and social entrepreneurs likewise know nothing of venture capital and, if the notion is ever to take off, the two must be brought closer together. Therefore a lot of time and energy is devoted to networking. The BVM management and some of the founders and investors of BV serve as guest speakers at meetings and conferences of renowned organisations like Canopus Foundation, UBS or the Bertelsmann Foundation. BV also organises conferences on various social and ecological issues in cooperation with partners like the German Friedrich-Ebert-Stiftung, a private cultural non-profit institution. Project partners are asked to participate whenever possible. The 2nd BonVenture Forum, to be held in Frankfurt, Germany, in November, will give investors, social entrepreneurs and guests from the field of venture philanthropy a chance to meet.

## ***Project partners – some examples***

### *BV I*

At present, BV I supports four projects with loans and equity capital. The newest of these is Parlamentwatch GmbH. Set up in October 2006, it aims to facilitate the contact between citizens and their elected representatives by using the internet. Its website contains short profiles of all the MPs in the German Bundestag, information on what committees they stand on and their voting records. Visitors to the site can also send questions to the MPs, and all the questions and responses

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are published on the site. Efforts are under way to include representatives of local and state governments.

*DialogMuseum GmbH* – The Dialogmuseum – is an innovative venture located in Frankfurt, Germany. It opens up new perspectives for the handicapped and disadvantaged. The exhibition is kept in complete darkness – sighted visitors therefore become ‚blind‘, and are led through it by blind or visually handicapped guides. The handicapped can develop skills which are transferable to the world of work.

*JobTV24* is the first German TV station dedicated to providing round-the-clock help and advice on finding employment and starting businesses. It is a practical, informative platform for job-seekers, school-leavers, young workers and students, for entrepreneurs and start-ups. Interactive, cross-media services and information, such as on JobTV24’s website, supplement the TV content.

The basic idea behind the *Institut für Vermittlungskoaching/DVC GmbH*, an employment coaching consultancy, is that it’s easier for people to find work once they really know what they want. Once established, the personal vision and profile of the job-seeker act as incentives and open up new avenues in the job search. The long-term unemployed in particular benefit from this approach.

*BV gGmbH*  
BonVenture gGmbH supports a number of projects with donations, advice and

contacts:

- *BISS eV* is a newspaper project that has been helping citizens experiencing social difficulties to help themselves since 1993. The magazine is distributed almost exclusively by currently or previously homeless people.
- *Kunterbunt eV* organises leisure and travel activities across Europe for handicapped people.

BV gGmbH also supports *Ashoka Deutschland GmbH*. This is the German branch of Ashoka, the largest support organisation worldwide for social entrepreneurs. Finally the portfolio includes *AETAS*. In addition to the settlement of the bureaucratic and official duties that a burial requires, *AETAS* provides comprehensive and personal support of the bereaved throughout the burial process.

***In sum...***

Since its foundation in 2003, BV has many achievements to its credit. It has become a well-known source for those seeking information on the

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new concept of Socially Responsible Venture Capital, and it has established a portfolio that gives credibility to this concept and is helpful in realising the social and/or ecological goals of BV. On the other hand, while the dealflow is very good in terms of the actual projects proposed, many social entrepreneurs are not yet familiar with the idea of venture capital and the requirements they have to meet. The process of detachment from traditional financing via the public sector is a slow one. Furthermore, to date, there is both a lack of financial intermediaries promoting organisations like BV, and insufficient capacity among those who already do this. Nevertheless, BV is confident that, with its growing reputation and with the increasing momentum of the debate on ethical investments, future investors will be forthcoming.

*Erwin Stahl is Managing Director of the BonVenture Management GmbH. He can be contacted at [info@bonventure.de](mailto:info@bonventure.de) For more information on BonVenture, see [www.bonventure.de](http://www.bonventure.de)*

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### Skoll Centre and EVPA collaborate on VP research

In ground-breaking research, EVPA has teamed up with the Skoll Centre for Social Entrepreneurship at the Said Business School in Oxford, to explore non-financial services in venture philanthropy. The key philosophy of venture philanthropy is to add value to the funding offered to a charity or social enterprise. In practice, this means matching grants or loans with support in strategic planning, marketing, financial management, mentoring and a host of non-financial services, but, up to now, there has been virtually no study of what these services are, how they are delivered by venture philanthropists and how much they are valued by the social organisations that receive them.

In the second of his working papers on venture philanthropy, Skoll Centre Fellow and EVPA adviser, Rob John, conducted a survey of 34 venture philanthropy funders in 14 countries about the kinds of services they offer and how they are delivered. He also questioned 20 social entrepreneurs about the value they placed on non-financial assistance and the nature of the relationship with their funders.

#### A 'whole-organisation' perspective

VP funds are relatively new, with 68 per cent of those surveyed being less than 5 years old. They target social organisations

embarking on periods of major change – 91 per cent are supporting small organisations undergoing rapid growth, 64 per cent those at early start-up, and 15 per cent are helping organisations going through a merger. The most popular services offered are in strategy consulting, financial management/accounting and fundraising, all key capacity building needs of small, growing organisations. Facilitating access to a VP fund's networks (introductions, for example, to other potential funders, collaborating non-profits, peer communities) rates as the third most popular service offered, while 85 per cent of VP funds offer assistance in 'strengthening board governance'. This is worthy of note, and adds weight to the view that VP funders seek a 'whole-organisation' perspective rather than focusing on discrete programme delivery aspects of the non-profits they support.

#### The value of non-financial service

The research examines in detail the mechanism used to deliver these services – directly by the VP fund staff, through strategic pro bono partnerships (for example, with strategy consulting firms), through a group of retained 'associates' or through ad hoc arrangements with external consultants. All the VP organisations surveyed used predominantly their own internal staff resources, but many were developing partnerships and associates as a means to extend and deepen their offerings.

When asked to put a figure on the financial value of non-financial services as a proportion of the finance they gave, half of VP funds estimated their advice to be between 5 and 30 per cent of the value of their grants. Fourteen per cent valued their inputs between 81 and 100 per cent of their financing.

#### The degree of involvement

By its very nature, venture philanthropy requires a degree of partnership and involvement between funder and investee not normally found in social sector funding arrangements. This intimacy is revealed in the typical length of partnership, frequency of contact with management and, rather more controversially, the taking up of board places. Sixty five per cent of VP funds surveyed typically support their portfolio

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organisations for 2 or 3 years; 35 per cent remain engaged for more than 4 years. Seventy per cent of funds are in regular contact with senior managers of their portfolio organisations 3 or 4 times a month.

When a traditional grantmaker funds a social purpose organisation it would be highly unusual for the funder to take

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places on the organisation's board. In venture philanthropy, by contrast, this is customary, indicating ownership through equity and influence at strategic level.

The survey indicated that 76 per cent of VP funds may take a formal position on the board of an investee organisation. For 15 per cent it was their policy always to take a board place, while 24 per cent would never do so.

### **The 'energising' impact of high engagement**

When asked about the overall impact of non-financial services, a minority (24 per cent) of social entrepreneurs felt that financial support had been more valuable than the additional support they received. Nearly 60 per cent felt that non-financial services greatly added value to funding support. The majority of social entrepreneurs who had VPs sitting on their board felt the practice generally added value to the relationship and supported their mission. For a few, however, it was a practice they would not welcome, or which had led to conflict.

Overall, social entrepreneurs welcomed the high engagement offered by venture philanthropists. As one remarked: 'They have energised us, provided high-level guidance, given us great networks, provided us with excellent people and given me what I need in terms of mentoring, structure and support. I like the drive and urgency they bring - it helps me as a CEO to have external pressure on the organisation.'

The working paper will be presented at EVPA's annual conference in Madrid on 25th October. Copies of the first working paper, *Venture Philanthropy: the evolution of high engagement philanthropy in Europe* can be downloaded at:

<http://www.sbs.ox.ac.uk/skoll/research/Short+papers/Venture+Philanthropy+in+Europe.htm>

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### **BigInvest to launch social venture buyout fund**

Big Invest, a specialist finance company for social enterprise, is to launch its own social venture buyout fund this month. It aims to raise £10 million to buy five private companies, but instead of stripping the companies' assets, laying off staff and selling the new acquisitions off as a return on its investment, Big Invest will transform the private companies into social enterprises. According to Nigel Kershaw, the head of Big Invest, 'anything that goes on out there in business, I reckon you can look at and say: "How can I turn that to create social transformation?" So when someone says to me, "Leverage buyout is a dirty word," I think: "How can we use that?"' BigInvest, which is owned by The Big Issue Company (an international movement, which began in the UK, and which provides opportunities for people facing homelessness to help themselves), is looking for smallish companies with a £10 million turnover operating in the healthcare sector. It is working with the Young Foundation to identify potential buyouts and hopes to

create employment for ex-homeless and disabled people. Kershaw hopes to persuade BigInvest's investors - some of who are likely to be partners in private equity firms - to plough back the returns they make into the buyout social business.

The buyout loan is the latest initiative from Big Invest, which was founded in 2005 with £3.5 million to lend to social business. Over the past 18 months, it has made 15 loans, including £250,000 to St Margaret's Bay Trust to create a zero-carbon conference and training centre in Kent, and £250,000 to fund the expansion of Belu, the first bottled water company in the UK to use compostable bottles.

*Source: The Guardian, 18 April 2007*

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### **First-ever EU study on Venture Capital for Sustainability values the market at €1.25 billion**

Based on a survey of European Venture Capitalists, a new report by Eurosif (the European Social Investment Forum) reveals that €1.25 billion of committed capital has been raised by European venture capital for sustainability as of 2006. Venture capital for sustainability (VC4S), a relatively new phenomenon, is a specific area of venture capital where profit objectives are supplemented by a mission which has direct impact on sustainability. According to the study, whose advisory group includes EVPA representation in the shape of Luciano Balbo of Fondazione Oltre and Olivier Deguerre

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of Phi Trust, it experienced a boom in 2006 and now represents about 6 per cent of the European VC-only market. The sector is mainly populated by funds specialised in renewable energy, but it also includes funds that are focused on bridging economic divides. One of the most important findings of the research presented in the report, *Venture Capital for Sustainability, 2007*, is that a key factor still restraining growth of the venture capital for sustainability sector is the lack of capital being allocated from institutional investors. It is often led by investors such as family offices and/or high net worth individuals. Eurosif argues in the study that pension funds and foundations should direct more of their portfolio allocations to Venture Capital funds that take on sustainability as a part of their mission. This approach would not only be consistent with the long-term orientation of pension funds and foundations but also enable market returns while explicitly contributing to sustainability factors.

To download the report, go to

[www.eurosif.org/publications/venture\\_capital\\_for\\_sustainability](http://www.eurosif.org/publications/venture_capital_for_sustainability)

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### **DeRisk to help solve problems of small and medium business finance in developing countries**

DeRisk Advisory Services Ltd, a new financial intermediary serving investors in small and medium businesses and social enterprises in developing countries, has recently been launched in London and Zurich. DeRisk was formed on the back of a study undertaken

by Switzerland-based VantagePoint Global – which also provided the platform for DeRisk’s incubation – in partnership with the Global Exchange for Social Investment (GEXSI). The research found that more effective coverage of a limited number of investment risk categories (country, market and business risk) would enable an increase in private sector capital flows to small and medium businesses and social enterprises, but that investors often have neither the time nor the resources to arrange the risk coverage required. DeRisk provides access to tailored, comprehensive risk management solutions for businesses and projects in developing countries, both allaying the risks for investors and helping solve the problem of financing for the enterprises.

Among the investments on which it is currently advising are:

- \$4m private equity fund in Sierra Leone
- \$25m clean energy fund in Central America
- \$1m loan to a Microfinance Institution in Pakistan
- \$10m venture capital fund in East Africa

DeRisk is also keen to allow philanthropic investment to play a significant role in catalysing this type of investment. To that end, DeRisk also works with innovative risk and financial market specialists to develop more effective coverage of developing country investment risks. A new product covering foreign exchange risk, currently in

development with New York-based Distributed Capital Group, will harness philanthropic and development-oriented cross-border investment and aid flows, enabling cost effective currency hedging capacity in the world’s least developed markets.

For more information, see

[www.deriskas.com](http://www.deriskas.com)

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### **New donors seeing their actions as ‘social investment rather than charity’**

An unprecedented boom in giving has seen more than £1.2 billion pledged or donated in the past year by the leading 30 philanthropists in Britain, according to this year’s Sunday Times Giving List. The list includes eight-figure or even nine-figure sums and the issues the donors have addressed include HIV/AIDS, global warming, helping Africa feed itself, Third World education and worldwide humanitarian relief. According to Tony Rogers, acting chief executive of the Charities Aid Foundation (CAF), which sponsors the Billion Pound Giveaway giving index, ‘We are seeing a new wave of philanthropic giving driven by people who want to be innovative, who are explorative by nature. They see their actions as social investment rather than straightforward charity; there is little linkage with the traditional not-for-profit charitable sector. They are creating almost a new voluntary sector for themselves.’

For more information, see

[www.cafonline.org/Default.aspx?page=12869](http://www.cafonline.org/Default.aspx?page=12869)

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## From business to philanthropy

Because of the speed and scale of present wealth creation, argues Mario Morino, Chair of Venture Philanthropy Partners (VPP) in the US, 'business entrepreneurs will have a stunning impact on philanthropy, global issues, and society. ...The challenge before [them], myself included, is to ensure that the impact we have is highly positive.' Writing in the May 2007 edition of VPP News, he presents his own experiences of moving from business to philanthropy. He argues that while entrepreneurs bring great assets to the social sector – money, resourcefulness, an aptitude for finding new solutions, a healthy impatience for 'traditional' thinking, perseverance and a compulsion to do what they set out to do, among them - they must also be prepared to learn and adapt to its different demands. They must have a genuine respect for the people their philanthropy is meant to help. They must realise that things take longer (though not necessarily as long as some would have them believe), that not all business traits transfer well, that, whatever the scale of their philanthropy, government funding and programmes will remain important.

For the text of the full article, see

<http://vpp.dev.threespot.com/learning/enews/archive/2007/may07.html#cc1>

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## 2007 BiD Challenge launched

The Amsterdam-based BiD Network Foundation whose mission it is to contribute to sustainable economic development by stimulating entrepreneurship in developing countries, has launched the 3rd edition of its Business in Development (BiD) Challenge, under which entrants must write a business plan for an enterprise in a developing country. Supported by over 30 partners, among them NCDO, ICCO and the Dutch Ministry of Foreign Affairs, the Challenge aims to address what the Network calls the 'missing middle' problem: the financing gap between \$5.000 and \$500.000, where microfinance stops and commercial finance starts, for small and medium enterprises (SMEs) in developing countries. The Challenge is an international business plan competition challenging entrepreneurs worldwide to develop and execute business plans that generate profit and support poverty reduction in developing countries. It also offers companies, foundations and NGOs a way of supporting poverty reduction through SME development in developing countries by engaging and communicating their already existing competence, expertise network and interests, while professional advice is offered in the completing of plans. According to its organisers, last year's Challenge drew over 1600 business proposals and assisted in the start up of over 40 companies in developing countries. This year, participants can win up to €20,000, with a total of €240,000 in prize money on offer. The BiD Challenge 2007 is open to start-up or established entrepreneurs with a business proposal for a new enterprise,

or the expansion of an existing enterprise, in a developing country. The enterprise must be in need of an investment between €5,000 and €500.000, and be profitable within 3 years. Applications must be received by 31 May.

For more information, see

[www.bidnetwork.org](http://www.bidnetwork.org)

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## New GrantCraft Guide on outcomes-based evaluation

GrantCraft, the web-based information resource for grantmakers, has recently produced a report entitled Making Measures Work for You: Outcomes and Evaluation. If you don't use an outcomes-based approach to evaluation, argue its proponents, how do you know if the work you're supporting is leading to the changes you want? Others caution that outcomes measurement should be approached with care and that hasty assumptions or over-confidence that programme impacts can be translated into hard data can skew not only the evaluation but the work itself. This guide looks at tensions in the debate about outcomes measurement, and the common questions about its potential risks and rewards.

To download, go to

[www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=835](http://www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=835)

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2<sup>nd</sup> Edition of EVPA's European Venture Philanthropy Directory - available free online at [www.evpa.eu.com](http://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](mailto:am@andrewmilner.free-online.co.uk)*

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