

FROM THE CHAIRMAN

Welcome to the 4th issue of EVPA News.

The last few months have continued to be very active for us as we seek to further expand our membership base and increase and improve services for our existing members. The highlights have been:

1. We have added **six new members** over the last 3 months and now have 9 Full and 15 Associate Members. Members represent nine European countries and include venture philanthropy funds, foundations, private equity groups, professional services firms and a research centre. New and recent members include four major foundations: the Van Leer Group Foundation from the Netherlands, the King Baudouin Foundation, from Belgium, Ireland's the One Foundation, and the Esmee Fairbairn Foundation from the UK. The pipeline of potential new members is strong and we expect continued growth.

2. Our relationship with the **European Foundation Centre** continues to develop well and Rob John conducted a one-day V.P.

workshop with 12 EFC members in Brussels in late September. We have also been invited to organise a panel for the Annual EFC Conference to be held in Brussels during May 2006. This is a follow-up to our very successful panel at the June EFC conference in Budapest.

3. Our three **working groups** are now fully organised. We will be holding a seminar (for EVPA members only) in January to discuss their progress, to network and share best practices. Feedback from members' questionnaire about organising this conference has been extremely positive.

4. We have begun writing a **European Venture Philanthropy Guide/Handbook**. This will build both on our research and on our members' experience. The publication will map venture philanthropy activity across Europe and give in-depth case studies of the organisations engaged in it, including those who are members of EVPA. The Guide, which we hope will be the first point of reference for those interested in venture philanthropy - whether potential new V.P. funds or investees, should be available next Spring.

5. The EVPA continues to get good exposure in the European press including recent articles in Alliance Magazine, Real Deals and Philanthropy in Europe. In addition, our website received over 8,000 visits in September and a number of very interesting connections have been made through this channel.

6. In August Rob John and I spent several very busy and interesting days in **Estonia** exploring a new venture philanthropy initiative there (see below). Our visit included speaking at a small conference of around 25 individuals from foundations, charities, and professional service firms. Ongoing discussions are taking place to determine what level of support the EVPA can provide in Estonia.

We very much appreciate your interest in our activities. We view the EVPA as both a catalyst and bridge, bringing the investment community, foundations and non-profit organisations together to make a positive social impact. We hope you will become engaged.

Sincerely,
Doug Miller

NEW MEMBERS

EVPA has welcomed six new members since Summer 2005, one Full and five Associate Members. Profiles of the new members appear below:

Full member:

The Sutton Trust

Contact: www.suttontrust.com

The main objective of the Sutton Trust is to fund projects that provide educational opportunities for able young people from non-privileged backgrounds and since its foundation in 1997, it has been involved in funding educational initiatives, with the aim of producing policy change at national level. The projects range from early years (0-3 year olds), through primary and secondary schooling, to further and higher education, including research projects, with an emphasis on innovative start-up projects that have the scope to benefit large numbers in the future.

Associate members:

Natexis Private Equity Opportunities

Contact: www.natexis-pe.com/uk

Founded in 1984, Natexis Private Equity has been for several years the leader of France's private equity investment market serving small and medium-sized companies. It works through small investment teams who have developed entrepreneurial projects that contribute to Natexis' overall aim of becoming one of Europe's leading players in each of its business segments,

buy-out/buy-in financing, venture capital, and capital for expansion both domestically and internationally. It is also developing its interest in networking with private equity firms with philanthropic interests and was one of the sponsors of February's Kilimanjaro Trek.

Coller Capital

Contact: www.collercapital.com

Coller Capital, an investment capital company with an interest in corporate philanthropy formed in 1990, is the leading global investor in private equity secondaries. It is dedicated to the worldwide purchase of secondary interests in venture capital, buyout and mezzanine fund investments. Coller advises in excess of \$3.5 billion of committed capital and since formation, its multinational investment team has purchased positions in private equity investments based around the world.

Rayne Foundation

Contact: www.raynefoundation.org.uk

The Rayne Foundation was established in 1962 by Lord Rayne. Its aims include supporting work which helps society's most vulnerable or disadvantaged individuals, especially children, young people and the elderly. The Foundation has traditionally concentrated its support on projects in the UK in the arts, education, health/medicine, social welfare and development.

Esmee Fairbairn Foundation

Contact: www.esmeefairbairn.org.uk

Esmee Fairbairn Foundation (EFF) was established in 1961 by Ian Fairbairn, whose

company, M&G, was the pioneer of the UK unit trust industry. EFF is a highly innovative, endowed grantmaking trust, which has funded organisations engaged in new forms of philanthropy, including venture philanthropy. It is an important and well-established player in the non-profit/grantmaking community in UK and is also active in the European Foundation Centre's Social Investment Group. In addition to grantmaking, EFF has also developed a loan programme.

Pilotlight

Contact: www.pilotlight.org.uk

Pilotlight was founded in 1996 by Jane Tewson, a co-founder of Comic Relief. It has developed an innovative model for supporting charities through free consulting advice, recruiting members from business and industry who want to donate their skills to charities and matching them with charities that need to build their infrastructure and organisational resources.

EVPA MEMBERS CONTRIBUTE TO PHILANTHROPY UK'S GUIDE TO GIVING

Philanthropy UK has published in October the second edition of **A Guide to Giving**, a handbook for UK philanthropists. Supported by private bank Coutts & Co, the revised Guide includes guest contributions from leading organisations and individuals across the sector, almost half of whom are EVPA members. EVPA advisor Rob John contributed an article on venture philanthropy, which was complemented by a

case study of **Impetus Trust** and a profile of **The Sutton Trust's** Sir Peter Lampl.

Other EVPA member contributions to the Guide include:

- **New Philanthropy Capital** on factors that NPC considers most important in a donor's decision-making;
- **Pilotlight** on key principles of giving time effectively to charities;
- **Skoll Centre for Social Entrepreneurship** on how social entrepreneurs create social value in their communities;
- **UnLtd**, a case study, on how UnLtd Ventures supports social entrepreneurs; and
- **Venturesome** on new financing options available to charities and social investors.

The Guide is available free of charge in an interactive online version and as a downloadable document. Hard copies are available for £20. You can access the Guide at:

www.philanthropyuk.org/guidetogiving

EUROPEAN VENTURE PHILANTHROPY FURTHER AHEAD THAN ITS US COUNTERPART?

Venture philanthropy may have started out from a position of strength in the United States - a high profile and early impetus were supplied by "new philanthropists" during the boom years of the 1990s - but it is in Europe that its momentum is now greater and perhaps more lasting. So

suggests NESsT's Lee Davis in an article in the most recent edition of *Philanthropy in Europe*.(1)

In September 2004, some 250 venture philanthropy fund managers and academics attended a Venture Philanthropy Summit at Stanford University, California. The self-confidence of the title notwithstanding, the general tone of the gathering was one of uncertainty, says Davis. Summit organisers rightly observed that, despite more than 10 years of practical experience, venture philanthropy in the USA "has no formal structure beyond Venture Philanthropy Partners' annual report of the venture philanthropy landscape". Participants concentrated on articulating the rationale for venture philanthropy. Most panellists seemed conscious of their marginal position in the world of philanthropy and were keen to demonstrate their relevance. Moreover, venture philanthropists themselves, whose money is managed or allocated by the "leading" venture philanthropy fund managers at the Summit, were conspicuous by their absence.

Curiously, however, one of the problems is too much rather than too little money, believes Davis. He quotes a recent New York Times article which talks of the "eye-popping" levels of money currently being raised by venture philanthropy funds in the US and cites a comment made in the article by a venture philanthropy fund manager to the effect that he'd like his fund to "raise more money than any other non-profit organisation." The remark illustrates what he describes as two potentially detrimental trends in US venture philanthropy: a focus on raising more money as an indicator of effectiveness; and a competitive, rather than cooperative,

relationship between venture philanthropy funds (and fund managers) themselves.

The European position

Now, contrast this with the situation in Europe. Nine months after the Stanford event the EVPA hosted its first annual conference in London. The event attracted an impressive number of participants - over 150 - but more striking was their diversity. Attendees included members of the private equity community, foundations/trusts, banks, professional service groups and the non-profit sector. EVPA, says Davis, has made great progress in a short space of time. How?

EVPA's Doug Miller, who was at the Stanford Summit as an observer, spoke there of the "extraordinary success" of the early venture capital/private equity funds. This was not due solely to raising a large investment fund, argues Davis, but to the quality of return on investments realised by fund managers. Likewise, in venture philanthropy, legitimacy and effectiveness will be measured not by how much money is raised but by the social return on the investment.

Much of the early success and momentum of the EVPA, he suggests, is due to the ability of its five founding trustees to leverage their networks, reputations and resources. They have also adopted a pragmatic approach, showing themselves determined not to raise false expectations. What's more, EVPA has adopted a collaborative approach and has stressed promoting effectiveness in the field. Its commitment to share and promote best practices among its members through three member working groups (performance

measurement, funding/financing, and capacity-building) also helps to ensure that lessons learned are shared and that common mistakes are avoided.

It is still too early to tell, says Davis, how far the early promise of venture philanthropy in Europe will be fulfilled. However, while the US venture philanthropy “industry” may have experience and financial advantage, its younger European sister has already invested far more in defining a compelling rationale and vision for venture philanthropy and strengthening the foundation of the field itself through collaboration and shared learning.

1 This article is based on one written by Lee Davis, “Venture philanthropy in Europe: The quiet revolution” which appears in *Philanthropy in Europe*, Issue 22, 09/2005.

2 Fund Managers Raising the Ante in Philanthropy, by Jenny Anderson (New York Times, Wednesday, August 3, 2005).

EVPA INVESTIGATES VENTURE PHILANTHROPY IN ESTONIA

Responding to an invitation from The Charities Foundation (TCF) a young Estonian non-profit, EVPA Chairman, Doug Miller and advisor Rob John made a 3-day fact-finding visit to Estonia in August. The core of the visit was a seminar convened by TCF to promote the organisation and to launch a business plan competition for social entrepreneurs. The seminar was attended by some 25 high level participants from charities, foundations, businesses and the media.

Doug and Rob each gave presentations to the seminar, which was subsequently reported in Estonia’s leading business newspaper.

TCF was founded in 2003 by Artur Taevere, an Estonian social entrepreneur whose mission is to help build the effectiveness of the emerging Estonian charity sector. He has a small and dedicated team of volunteers and an energetic board of trustees, chaired by Hannes Tamjarv, who in his thirties created what is today Estonia’s largest retail bank, Hansabank.

The Republic of Estonia regained its independence in August 1991 and became an EU member in 2004. Culturally and geographically it faces both the Nordic countries and northern Europe. Its small population (1.4 million) is highly urbanised, with one third living in the capital, Tallinn. Rural life is harsh, with high unemployment and social problems which include drug and alcohol abuse. According to a 2001 survey, there are over 14,000 registered charities in Estonia, although only an estimated 1,200 are public benefit organisations delivering social assistance to the needy or marginalised. The Soros Foundation has been instrumental in helping build a healthy non-profit sector in Estonia.

Artur’s first project was the launch of a web portal www.heategu.ee (“good deed”) which matches volunteers and donors with charities. Through this, TCF saw the need to build the capacity of charities in Estonia. Their second project, Desk-mates, matches business executives with charity leaders to advise on management issues and in 2004, TCF and Hansabank launched The Recycling Centre in

Tallinn, which recycles furniture and clothing for low income families.

TCF now wants to develop a venture philanthropy-type programme and encourage social entrepreneurship in Estonia through the business plan competition. Both Doug and Rob were impressed with TCF’s professionalism and high levels of energy, and EVPA will continue to explore ways in which this exciting initiative can be supported through the EVPA network

CONFERENCE TITLE SUGGESTS ‘FALSE DICHOTOMY’ SAYS BRODIE

The title of the UK’s Association of Charitable Foundations’ (ACF) Conference Cash Machine or Development Agency: the role of foundations in the 21st century suggests a dichotomy that doesn’t exist, says Impetus Trust director Judith Brodie. Speaking at the conference, an event also attended by other EVPA members NPC, Esmee Fairbairn Foundation, Sutton Trust, UnLtd, Pilotlight and the Rayne Foundation, she said: ‘What we’re looking for is a diversified social capital market. A small grant could be right for a charity at one stage and a venture philanthropy grant further down the line.’ The need now, she feels, is some analysis to determine what combination of support works and when.

Clare Thomas of Bridge House Trust agreed that it was not a case of either-or and that the knowledge that came from good reactive grantmaking was necessary for proactive work. She also argued the need for collaboration. “We

have more than money. We have knowledge and we should share it.”

Talking about mission-related investments (MRI), Luther Ragin of F.B. Heron Foundation, said that Heron was disproving the traditional view that there is a ‘necessary and unforgiving tradeoff’ between achieving social purpose and financial return. It has devoted 24 per cent of its assets to MRI and returns are ‘mid-point’. One necessary condition for this is a sufficiently developed social capital market. If this doesn’t exist, foundations will not be able to find suitable financial instruments to invest in.

Andrew Robinson (Community Development Banking, NatWest & The Royal Bank of Scotland) cited a recent survey to show that many charities are now using different types of debt finance, but, he added, there is a ‘huge gap for loan finance with soft terms’ - delayed payments, lower returns, returns with social benefit taken account of.

But as many participants pointed out, some organizations will always need to be grant-funded. Grants are particularly good for start-ups, even where an organization may have longer-term income generation prospects. They can also be good for encouraging confidence and for leveraging other funds. ‘What people forget,’ said Robinson, is that private sector gets a huge number of grants to cover start-up costs and R&D and to bridge the gap before a company enters a market.’

This article is based on one written by Caroline Hartnell which appeared in the October edition of Alliance Extra. See

www.allavida.org/alliance/allianceextra.html

MISSION-RELATED INVESTING SEMINAR DRAWS DIVERSE CROWD

Over 80 people drawn from all three sectors and including a number of asset managers, attended a seminar in London organised by the Skoll Centre, London South Bank University and the Association of Charitable Foundations on 8 September. They heard Luther Ragin Jr of F.B. Heron Foundation talk about Heron’s experience in Mission-Related Investment (MRI).

For Heron, MRI means investing as much as possible of the foundation’s endowment in “mission-related, market opportunities that deliver social and financial returns.” It enables foundations to achieve a greater impact than they could with grants alone, says Ragin. It also improves financial stewardship of foundation assets, and increases the capacity of organisations to use debt and other financial products, thus reducing their dependence on government support. An early adopter of MRI, the Foundation has not lost a single dollar in principal in its eight years of experience. Ragin attributes this success in part to being serious about being repaid; using intermediaries (whom they know) rather than making direct investments; and recognising that the “process does not end at the closing”. Those who could not attend the seminar but are interested in MRI can obtain handouts from Rob John or David Carrington of EVPA.

For more information about F.B. Heron Foundation, visit www.fbheron.org.

MEMBER PROFILE: FONDATION DEMETER: TENTH YEAR OF OPERATIONS

By Susan Mackenzie

Demeter, the Greek goddess of the harvest, is credited with teaching humans how to grow and preserve the fruits of the soil. She is also a fitting name for the French venture philanthropy organisation founded by Pascal Vinarnic and a group of friends in 1995.

Fondation Demeter summary

Founded:	1995
Sector focus:	Microfinance to NGOs for income-generating programmes
Geographical focus:	International
Investment type:	Loans, grants, management advisory
Investment size:	€5,000-€20,000 per year per programme

Seeking to play an active social role in their communities, the founders initiated a joint project which led to the creation of Fondation Demeter, a public benefit foundation under the auspices of Fondation de France. The founders, a group of professionals working in finance, consulting, industry and media, wished to help non-profit organisations increase their financial autonomy through the development of professional management practices and financial support targeting the development of income-generating activities.

Financed exclusively by its founders, Demeter focuses on organisations involved in humanitarian, social and cultural work, but does not limit its investment scope geographically. Non-profits receiving support are based as close as Paris and as far away as Bangalore and Buenos Aires. Its 'investees' tend to be new initiatives and/or innovative in their field of activity. Since its inception, ***Demeter has supported directly or indirectly around 20 non-profit organisations, which themselves support a total of 15,000 beneficiaries each year.***

Demeter's main investment criterion is the potential social impact of its funded programmes, which it assesses on the ground by tracking social data, such as school attendance, existence of vaccination and nutrition programmes or housing quality. To achieve the intended social impact, Demeter seeks out those NGO leaders who are, according to Pascal, "utopian but pragmatic enough to execute, and who are both amenable to and capable of change." To enhance its effectiveness, Demeter leverages its funding by supporting intermediary organisations (such as Planet Finance or Interaide), which can offer a field presence or bring additional funds or subsidies, or both.

Relationships with 'investees' typically last about seven years, often beginning with advisory assistance and progressing to financial support after six-to-twelve months. In general, a standard three-to-five year financial investment of €5,000-€20,000 per year comprises an interest-free loan (typically 80% of the investment) to support the operating programme (such as to the microcredit fund of a microfinance institution) and a grant to cover part of the programme's overhead costs

(typically 20% of the commitment). Before investing, Demeter estimates when the organisation will become self-sufficient, and is clear from the outset - by writing it into the contract - that it intends to exit the investment within a certain time period. Exit can take several forms, including a refinancing of the investee, purchase of the loan portfolio or an instalment-based repayment scheme.

Prior to forming Demeter, Pascal was a partner with Bain & Co in London and Paris from 1984 to 1992, when he left to found Ceres Finance, a company providing financial services and turnaround consulting to private equity investors. He spent six years convincing people that "microcredit could work, and that underprivileged people were reliable and a reasonable risk to finance." Yet, while recognising that the French tend to eschew mixing money with charity, he is optimistic about the outlook for venture philanthropy in France, pointing to France's enduring culture of association work and the recent involvement of a younger generation of donors, who more readily welcome new ideas and new ways to get actively involved. Pascal notes: "Venture philanthropy should be a good platform for these younger donors, as we can provide them with the appropriate tools to invest and work from. That should keep us busy for the next 10-20 years at least!"

For more information, contact Pascal Vinarnic at pascal@fondationdemeter.com.

IMPETUS TRUST EXPANDS

EVPA member Impetus Trust and CAF (Charities Aid Foundation) are launching a pioneering investment collaboration to support the Naz Project London (NPL), which provides sexual health and HIV prevention and support services to Black and minority ethnic communities. Impetus Trust and CAF selected NPL as their first coinvestment initiative because of the importance of their work; the need for support; and the strength of its leadership. The investment package will comprise a total of £275,000 core funding over four years, with Impetus contributing £175,000 and CAF Grants £100,000. In addition to the funding, and integral to the venture philanthropy package is some targeted capacity-building - pro bono consultancy - focusing on business planning, income generation, human resources strategy. It is anticipated that Impetus will undertake further co-financing projects with other foundations. The investment takes Impetus' charity portfolio to five, the other four being Speaking Up (disability), St Giles Trust (housing/homelessness and prisoners/ex offenders); Eating Disorders Association, Leap Confronting Conflict (young people).

Impetus Trust has also appointed its first venture philanthropy manager, Amelia Sussman, a lawyer who previously worked with Common Purpose. She will manage relationships with charities at all stages of the Impetus process from initial screening and assessment through to investment. The Trust is also in the process of appointing two new trustees, one with experience in the financial services industry, the *other with*

experience as a chief executive of a charity or social enterprise.

In addition, Impetus' first independent evaluation characterised the Trust as "cutting edge, dynamic and innovative". Social Solutions Ltd who undertook the evaluation also commented that Impetus was "well on the way to developing an organisation that has the potential to not only lead the sector but also to deliver real and valuable change within it."

For more information, see www.impetus.org.uk

NEWS IN BRIEF

HUNTER PREACHES 'VENTURE PHILANTHROPY' Sir Tom Hunter, the Scottish entrepreneur and philanthropist, who pledged \$100m to help poorer nations at the Clinton Global Initiative in New York in September, said he hoped to encourage other entrepreneurs into 'venture philanthropy', where philanthropy was treated as a business, with projects rewarded if they met key performance indicators and penalized if they did not.

"We really do see this as an investment," he said in an interview with BBC Radio's Today Programme on 15 September, "from which we expect a return." The Clinton-Hunter Development Initiative (CHDI), which has been formed by Sir Tom's pledge, will initially identify two countries to take part in a pilot programme to assess and improve their education system, health, infrastructure, agriculture and offer entrepreneurial support. Local communities will help form and implement actions plan to combat poverty and improve prosperity.

Sources: FT.com (16/9/05), <http://news.bbc.co.uk/1/hi/scotland/4246252.stm>

VAN LEER PART OF PARTNERSHIP TO DEVELOP THAI COMMUNITY FOUNDATIONS The Van Leer Group Foundation is working with US-based Synergos Institute to develop a network of community foundations in Thailand, particularly in the areas affected by the Tsunami. The partnership, which will also work in conjunction with Thai NGOs, follows allocations of an additional €1 million by the Van Leer Group Foundation and the Bernard Van Leer Foundation, to support post-tsunami reconstruction efforts in the affected countries, including India, Indonesia and Thailand. Grants will also be made to initiatives promoting the development of civil society in the countries in question.

For more information, www.vanleergroupfoundation.nl, www.synergos.org
Source: Philanthropy in Europe

EVPA LEADS VENTURE PHILANTHROPY ROUNDTABLE IN BRUSSELS EVPA's Rob John led a European Foundation Centre (EFC) roundtable on venture philanthropy in Brussels on 30 September. The twelve participants, 7 of them from foundations, who came from 6 countries heard presentations on the definition of venture philanthropy; case studies of the UK's Impetus Trust and New Profit Inc in the US; on EVPA and the European expansion of Venture Philanthropy practice; and the uses of venture philanthropy as a means of financing social business.

SIR PETER LAMPL ADDRESSES EVPA ANNUAL CONFERENCE Sir Peter Lampl, founder of the Sutton Trust, told the European Venture Philanthropy Association Annual European Conference in June that the Trust was "neither a think-tank, nor a straightforward charity. It's a

'do tank'". He talked about his experiences in philanthropy and how he had moved from straightforward giving to social enterprise. "Social entrepreneurs," he told the conference, "are like the venture capitalists of social change. They identify an idea, put the ingredients together to make it work, get someone with deep pockets, preferably the Government, to take it up and run with it, and then move on." The full text of Sir Peter's speech is on the EVPA website at: www.evpa.eu.org

NESST LAUNCHES BOAT The Nonprofit Enterprise Self-Sustainability Team (NESsT) has published an electronic version of All In The Same Boat: an introduction to engaged philanthropy, a primer for donors contemplating an engaged approach to giving. The 24-page primer (available in printed form in August) looks at the growing interest in engaged philanthropy worldwide, the difference between engaged and 'classical' philanthropy, and the pros and cons of an engaged approach. It also includes a resource section. It was produced with support from the Philanthropic Advisory Service of the Citigroup Private Bank. For more information (and ordering information), see the NESsT Publications link at www.nesst.org

SEVENTH TBLI CONFERENCE TO BE HELD IN NOVEMBER (Frankfurt November 2-4, 2005) is the seventh annual Triple Bottom Line Investing conference on sustainable and triple bottom line investment will be held in Frankfurt on 2-4 November. Topic areas include: public equity, private equity, debt financing, project financing, microfinance, and many others. Among the speakers will be Winston Hickox from CalPERS, Roderick Munsters from ABP, Hanns Michael Hölz of Deutsche Bank, and Barbara Krumsiek of Calvert Investments.

For more information, see
www.tbli.org/content/conf_program.html

NEW STAFF AT VENTURESOME Venturesome's work in social investment continues to gather pace with the appointment of a third member of staff. Joe Ludlow joins John Kingston (Director) and Sarah Thomas. Venturesome is a risk capital fund that was launched by Charities Aid Foundation in January 2002 to explore social investment mechanisms primarily in the voluntary sector. The Fund is now worth almost £5 million and since launch, Venturesome has worked with over 90 client organisations, making available £4.5 million of support. £2 million of that support has been recycled, leaving a current portfolio of £2.5 million offered to 40 clients.

Our focus is on building the social investment market and on demonstrating that the risk capital model can be beneficial for charities and other voluntary sector organisations. See www.venturesome.org for more details.

EVPA WORKING GROUPS The three working groups have now been launched. For more information please contact Rob John or a working group chairman:

Finance Working Group - Lee Davis
ldavis@nesst.org

Non-financial Advisory Services Working Group -
Patrick Dunne patrick_dunne@3i.com

Performance Measurement & Impact Assessment
Working Group - peter@scholtenfranssen.nl

Rob John - rob.john@oba.co.uk

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

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