



**VENTURE PHILANTHROPY IN EUROPE:  
OBSTACLES AND OPPORTUNITIES**

**Summary**

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## EVPA

The EVPA is a membership organisation aimed at organisations and individuals who either are practicing venture philanthropy, are interested in learning more about it or becoming more actively involved with it. The EVPA provides a forum for networking with others in order to achieve common objectives.

The EVPA was formally incorporated in January 2004 and was registered as a UK Charity with the pro bono help of law firm S. J. Berwin. The Board of Directors of the EVPA is comprised currently of its founding members, all of whom are associated with the European Venture Capital sector.

Our mission is to increase philanthropic giving throughout Europe by:

- Supporting our members in their venture philanthropic activities;
- Promoting the expansion of venture philanthropy throughout Europe.

To achieve this, the EVPA:

- Provides a forum within which European based venture philanthropists can network, exchange ideas and debate best practice;
- Informs potential donors and others of the role and benefits of venture philanthropy and facilitating its development, with the aim of increasing knowledge and acceptance of the benefits of venture philanthropy in the charitable sector;
- Facilitates and promotes new venture philanthropic efforts;
- Seeks to increase the effectiveness of venture philanthropy.

Venture philanthropy is a field of philanthropic activity where private equity / venture capital models are applied in the non-profit and charitable sectors. There are many different forms of venture philanthropy but the EVPA believes it can be characterised as:

- The active partnership, or engagement, of donors, volunteers and/or experts with charities to achieve agreed outcomes such as organisational effectiveness, capacity building or other important change;
- The use of a variety of financing techniques in addition to grants, such as multi-year financing, loans or other financial instruments most appropriate for a charity's needs;
- The capability to provide skills and/or hands-on resources with the objective of adding value to the development of a charity;
- The desire to enable donors to maximise the social return on their investment whether that be as a financial donor or as a volunteer of time and expertise.

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## Executive Summary

### 1. Purpose of this report

- 1.1 To provide an accessible overview of the development, the levels of activity and the emerging forms of venture philanthropy in Europe;
- 1.2 To identify some of the key opportunities and challenges for venture philanthropy in Europe.

### 2. Context for the emergence of Venture Philanthropy in Europe

- 2.1 The nonprofit sectors within Europe are rooted in very different historical, cultural, and social traditions. The sectors therefore vary in terms of: size, legal frameworks and regulations, relationship with the state and more specifically the degree of independence from government, and the proportion of funding that comes from the state and from private philanthropy.
- 2.2 In all countries philanthropy plays a much smaller part in funding nonprofits than government grants and contracts, or individual membership fees and service charges. Grant-making philanthropic foundations provide in the region of 2% of the total nonprofit sector income across Europe. Philanthropic giving in Europe is between 0.1 and 1% of GDP, compared with the US where giving stands at about 2% of GDP.
- 2.3 Research shows that, between 1990 and 1995, there was significant growth in the size of the nonprofit and philanthropic sectors in all countries, of between 20 to 30% in terms of full-time employment. The growth in sector size has been accompanied by a qualitative change in the nature of the sector. In particular nonprofit organisations are seen as playing a key and increasing role in:
  - the provision of social services, often contracted by local or central government;
  - innovating and developing new forms of social provision, thereby contributing towards the 'problem-solving capacity' of modern societies;
  - the emergence of new forms of socio-economic organisations which simultaneously address social and economic needs, sometimes referred to as 'social enterprise';
  - enhancing social capital and democratic citizen engagement, as levels of political interest and involvement are reported to be declining, and there is interest in more personal and local forms of engagement.

2.4 As a result of this growth and change there are specific needs within the nonprofit sector which new initiatives such as venture philanthropy may help to address:

- improved management expertise and organisational capacity within a wide range of nonprofit organisations, so that they can better meet the expectations of government and the public;
- more secure, responsive and flexible forms of funding which can meet the operating and growth needs of nonprofits;
- increased awareness and understanding within society as a whole of nonprofits as significant players contributing to modern economies.

### 3. Venture Philanthropy

3.1 Venture philanthropy emerged in the US in the late 1990s, emerging initially out of the dot.com boom and the idea that the success that so many people had experienced in business could be extended to the nonprofit sector. More specifically, interest in venture philanthropy was prompted by a 1997 article in the Harvard Business Review entitled "Virtuous Capital: What Foundations Can Learn from Venture Capitalists" by Letts, Ryan and Grossman.

3.2 Venture philanthropy is modelled on venture capital and characterised by:

- the provision of expertise alongside financial support;
- a focus on organisational development;
- long-term and close relationships;
- performance and impact assessment;
- clearly developed exit strategies.

It has brought a new language and a new range of concepts from venture capital into the nonprofit world, thereby enabling people from business to relate to and engage with nonprofits, and enabling nonprofits to learn from business practices.

3.3 Venture philanthropy has also been subject to a number of criticisms and has prompted wide ranging debates about the nature and role of philanthropy. Criticisms initially centred on the inappropriateness and incompatibility of transferring learning from business to nonprofits, and latterly focused on more practical concerns that little new money has been raised and that it is still very difficult to demonstrate effectiveness and social impact in the rigorous way that venture philanthropists aspire to.

3.4 There are an estimated 40 to 50 venture philanthropy funds in the US now. Whilst venture philanthropy has not brought in large amounts of new money, it has experimented with more creative grant-making practices, it has focused attention on core

organisational issues which had been sidelined with the emphasis on project funding, and it has challenged philanthropists to demonstrate their impact and effect. In addition it has contributed to the range of philanthropic identities that are open to philanthropists, and especially those entering the field for the first time, creating new communities of donors.

3.5 It is possible to identify four specific ways in which venture philanthropy is likely to make its mark and have the greatest impact:

- bringing in new money and expertise to the nonprofit sector;
- influencing existing donor practices;
- establishing new types of relationships between donors and nonprofits, which are more equal;
- improving the impact and effectiveness of specific nonprofit organisations.

All of these are said to contribute to 'social impact' and improving the effectiveness of philanthropic practices.

#### 4. Forms of Venture Philanthropy in Europe

4.1 Venture philanthropy started to be taken seriously in Europe during 2000, and by 2005 several venture philanthropy organisations had been launched and started to operate within different Europe countries. Much of the interest comes from finance, venture capital and business more generally, as well as some interest among existing grant-making foundations. There is considerable learning from experiences in the US and the adaptation of models developed there, as well as the development of some highly creative and original approaches specific to the European context.

4.2 Founders and funders. There are four main 'founders and funders' of venture philanthropy organisations:

- Wealthy individuals, who often have a finance or venture capital background, and invest their personal money into setting up the venture philanthropy initiative.
- Nonprofit organisations, which are looking to raise funds for their own work or for the work of their membership or associated organisations.
- Companies and corporations which are looking for a more consistent and engaged way of supporting social causes, though they seem less likely to use the term 'venture philanthropy'.
- Government departments or public agencies, which may work in partnership with other organisations to initiate a venture philanthropy organisation, but are unlikely to be the sole instigator.

In many cases the financing is provided collaboratively by a small group of individuals who seed fund the initiative, and are then able to attract resources from other sources, including individuals, existing grant-making foundations, companies and, occasionally, public bodies.

4.3 Main organisational forms. Four main organisational forms of venture philanthropy in Europe can be identified:

- Endowed or fully-funded venture philanthropy organisations. Occasionally there is a single donor who fully funds a venture philanthropy organisation, and this may be an individual, government or a company.
- Partly-funded venture philanthropy organisations. The most common form of venture philanthropy initiative involves several funders working together and raising resources from a range of other sources.
- Venture philanthropy-fund creation organisations. In some cases non-profit organisations initiate venture philanthropy organisations, gaining support from philanthropists and others, for new funds.
- Service provision and brokerage. There are a number of specialist advisory and support organisations, often brokering relationships and partnerships between philanthropists and nonprofit organisations, or between relevant business expertise and nonprofits.

4.4 Purposes and Goals. Most venture philanthropy is directed towards domestic organisations, though there is also significant interest in supporting international organisations, both those based within Europe and working abroad, and those which are indigenous to developing countries. There are a variety of causes supported, and some venture philanthropists are more interested in identifying an organisation with potential than the specific cause, whilst others have a particular focus, for example on education or crime or youth. Social enterprise is a popular cause, and this may be because the development of self-generated income provides an obvious benefit to sharing expertise from business. Venture philanthropists are interested in enhancing the social impact of an organisation, and therefore tend to look for organisations with strong, often 'social entrepreneurial', leadership, and a desire to grow, replicate, merge or undergo some other form of 'step change'.

4.5 Levels and forms of financial support. Venture philanthropy emphasises the establishment of long term partnerships. However, at present venture philanthropy has not been around for long enough to ascertain exactly what is meant by 'long-term'. Most state that support will be for 3 to 5 years, with some implying support for up to 10 years. The type of financing most often offered is grant funding, but a wide range of other financial tools

are being developed, including loan funding, capital finance, shared equity and bonds.

- 4.6 Levels and forms of engagement. Venture philanthropy emphasises high engagement as essential to the investment relationship. This often starts with an in-depth assessment process leading to an agreement between the venture philanthropy and the nonprofit of the needs and priorities for support. The expertise then offered might be directly from the venture philanthropy organisations, from experts volunteering from business, or from specialist consultancies which are paid for by the venture philanthropist.
- 4.7 Monitoring, impact and exit. A variety of different evaluation and performance measurement tools are being developed by venture philanthropists. Two popular tools are 'Social Return on Investment' (SROI) and the balanced scorecard. Because of the short timescales of venture philanthropy it is not yet possible to assess its impact or how it manages exit strategies.

## 5. Obstacles for Venture Philanthropy in Europe

- 5.1 The name. Much philanthropic giving in Europe is carried out privately and discretely, where venture philanthropy is often seen as high profile and may therefore be off-putting for some philanthropists. The very term 'philanthropy' is viewed in some countries as old fashioned, and contrasts with the image of venture philanthropy as modern and progressive. Similarly, for some, 'venture' is associated with risk taking and is viewed as an inappropriate approach for tackling social problems.
- 5.2 Nonprofits. Many nonprofit organisations are inexperienced in managing high engagement relationships. And as yet there is little information published about venture philanthropy from the nonprofit perspective, so there is little understanding and preparedness for what venture philanthropy has to offer.
- 5.3 The Venture Philanthropy model. Venture philanthropy is in the early stages of development, and its cost-effectiveness and ability to have lasting social impact are not yet demonstrated. It is also not yet clear whether venture philanthropy organisations themselves are financially sustainable, and several depend on annual donations from their founders to cover the management and administration costs.

## 6. Opportunities for Venture Philanthropy in Europe

- 6.1 New resources. Many venture philanthropy funds are actively fundraising, and have the potential to attract new funds as well as expertise to the nonprofit sector. Venture philanthropy tends to operate as a collaborative effort and this may also provide new

opportunities for people to engage with philanthropy and social causes.

- 6.2 Influence. There are some indications that ideas from venture philanthropy may influence private and government donor practices, and specifically in focusing support on the organisational development and capacity of nonprofits as a critical way of enhancing impact and effectiveness.
- 6.3 New relationships. Venture philanthropy in Europe takes on many different forms, creating and experimenting with different types of relationship between 'investor' and 'investee' which may prove more productive than that between 'donor' and 'recipient'. Venture philanthropy has the potential to support the development of a new common language and more equal partnerships.
- 6.4 Improved nonprofit effectiveness. A central purpose of venture philanthropy is to improve the organisational effectiveness and social impact of supported nonprofit organisations, and retaining this focus and demonstrating it is important in proving the worth of venture philanthropy.

## 7. The future of Venture Philanthropy in Europe

Venture philanthropy in Europe is expanding rapidly, and has the advantage of being able to learn from venture philanthropy experiences in the US as well as established grant making foundations in Europe. Its potential depends on its ability to engage with a wide range of individuals and institutions, from nonprofits to philanthropists to governments, and its ability to demonstrate that its benefits and impact are valuable and cost-effective.

**Table 3: Venture Philanthropy Organisations in Europe**

This is a list of venture philanthropy organisations with which EVPA is familiar, as of November 2005. Consistent with EVPA’s broad definition of venture philanthropy, together with its aim to engage with the field as a whole, some of those listed below are philanthropic organisations whilst others offer support, advisory and brokerage services. This is not a comprehensive list, and at this early stage in the development of venture philanthropy in Europe there are doubtless other organisations operating with some or all of the principles of venture philanthropy.

	Country	Activities and forms of engagement		Focus of support		Website	Comments
		Provides money	Provides expertise	Field	International/Domestic		
Toolbox	Belgium	No	Yes	Any	Domestic	www.toolbox20.org	Membership based association.
Media Development Loan Fund	Czech Rep.	Yes. Loans, repayment terms over 4-7 years.	Yes	Independent media	International	www.mdlf.cz	
TCF (The Charity Foundation)	Estonia	Yes	Yes	Social entrepreneurship	Domestic		
Fondation PhiTrust	France	Yes. 3-5 years.	Yes	Social, cultural and environmental.	International (NGOs based in France)	www.phitrust.com	Linked with PhiTrust Finance, which focuses on socially responsible investment.

	Country	Activities and forms of engagement		Focus of support		Website	Comments
		Provides money	Provides expertise	Field	International/Domestic		
Demeter	France	Yes. Grants and loans, over 5 to 7 years.	Yes	Including micro-finance	International		
BonVenture	Germany	Yes. Grants, equity, mezzanine financing, loans etc €100-€500k over 3-7 years	Yes	Social, ecological.	Domestic	<a href="http://www.bonventure.de">www.bonventure.de</a>	Goal is capital preservation in real terms for the fund and foundation.
Canopus Foundation	Germany	Yes	Yes	Energy, environment, social entrepreneurs.	International (some domestic)	<a href="http://www.canopusfund.org">www.canopusfund.org</a>	
NESsT	Hungary	Yes. Grants, over 1-3 years.	Yes	Social enterprise	International	<a href="http://www.nesst.org">www.nesst.org</a>	Also operates in Latin America.
The One Foundation	Ireland	Yes	Yes	Youth, mental health, early stage social entrepreneurs, Vietnam.	Domestic / International	<a href="http://www.onefoundation.ie">www.onefoundation.ie</a>	Aims to spend down over 10 years. Strategic partnership with New Profit Inc, USA
Fondazione Dynamo	Italy	Yes, in some cases	Yes	Social entrepreneurship	Domestic / International	<a href="http://www.fondazione-dynamo.org">www.fondazione-dynamo.org</a>	

	Country	Activities and forms of engagement		Focus of support		Website	Comments
		Provides money	Provides expertise	Field	International/Domestic		
Fondazione Oltre	Italy	Yes. Grants, €15-€60k for 2-3 years	Yes	Social	Domestic	www.fondazioneoltre.org	
Noaber	Netherlands	Yes	Yes	Digital technology	International	www.noaber.com	
Partnership Foundation	Netherlands	Yes	Yes	Street children	International	www.partnershipfoundation.nl	Sole focus on street children in India
Social Venture Capital	Netherlands	Yes	Yes	Poverty reduction	International (Ghana, Morocco, Sth Africa)	www.sovec.nl	Venture capital fund and charitable foundation operate in parallel
The Blue Link	Netherlands	No	Yes	Development support, social enterprise.	International	www.thebluelink.org	Brokers corporate-nonprofit relationships
WISE Partnership	Switzerland	No	Yes	Development support.	International	www.wise.net	Brokers philanthropist - nonprofit relationships.
MyImpact	Switzerland	No	Yes	Awareness raising and brokering relationships	International	www.myimpact.ch	

	Country	Activities and forms of engagement		Focus of support		Website	Comments
		Provides money	Provides expertise	Field	International/Domestic		
A Glimmer of Hope	UK office (of US based foundation)	Yes. Grants	Yes	UK – social welfare	Domestic (US foundation works in US and Ethiopia)	www.aglimmerofhope.org	Part of a US based initiative showing some characteristics of VP.
ACT	UK	Yes	Yes	Poverty and others who are marginalised.	Domestic / International	www.andrewscharitabletrust.org.uk	Established in 1965 by a business entrepreneur and linked to a UK firm of estate agents.
ARK	UK	Yes. Grants	Yes	Children/ youth Also research	Domestic / International	www.arkonline.org	Founders have Hedge Fund industry background.
Funding Network	UK	Yes. Grants	No	Human rights, environment, health, education, conflict resolution	International / Some domestic	www.fundingnetwork.org.uk	Brings together new philanthropists. Some characteristics of VP.
Impetus	UK	Yes. Grants, £100-£500k, 3-5 years	Yes	Social.	Domestic	www.impetus.org.uk	

	Country	Activities and forms of engagement		Focus of support		Website	Comments
		Provides money	Provides expertise	Field	International/Domestic		
New Philanthropy Capital	UK	No	Advice / support to donors.	Research and advisory services.	Domestic / International	www.philanthropycapital.org	Advisory service for VP funds.
Pilotlight	UK	No	Yes	Marches corporate volunteers with charities.	Domestic	www.pilotlight.org.uk	Some characteristics of VP.
SHINE	UK	Yes	Yes	Education	Domestic	www.shinetrust.org.uk	
The Sutton Trust	UK	Yes	No	Education	Domestic	www.suttontrust.com	Some characteristics of VP
UnLtd Ventures	UK	No. Planning a fund in the future. Currently brokers third party funders	Yes	Social entrepreneurs.	Domestic	www.unltd.org.uk	Part of UnLtd – UK foundation for social entrepreneurs
Venturesome	UK	Yes. Financing in the form of loans, equity investment etc, £20k-£150k.	Some advisory, especially before investment made	Social	Domestic	www.venturesome.org	Aims to recycle funds invested.

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