

Executive Summary

December 2014

This is the report¹ of EVPA's fourth annual survey of European Venture Philanthropy and Social Investment. The purpose of the report is to provide independent industry statistics to raise awareness about European Venture Philanthropy and Social Investment ("VP/SI") and to attract additional resources to the sector. It is also an important tool in explaining VP/SI to an external audience, including policy makers.

EVPA acts as the main repository of data on the VP/SI industry in Europe since 2011. The presence of four years of data allows us to analyse interesting trends and evolutions. The financial data provided was for the fiscal year ending in 2013, unless otherwise specified.

Definition of Venture Philanthropy

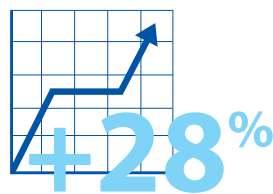
Venture philanthropy works to build stronger investee organisations with a societal² purpose (SPOs) by providing them with both financial and non-financial support in order to increase their societal impact. The venture philanthropy approach includes the use of the *entire spectrum of financing instruments* (grants, equity, debt, etc.), and pays particular attention to the *ultimate objective of achieving societal impact*. The key characteristics of venture philanthropy include high engagement support of few organisations, organisational capacity-building, tailored financing, non-financial support, involvement of networks, multi-year support and impact measurement.

Survey Scope and Methodology

The EVPA survey aimed to capture the activity of VPOs based in Europe, according to the definition above, although their investment activity may take place in other continents. The survey was undertaken between May and September 2014 and includes responses from 95 VP/SI organisations. We do not claim to have captured the entire VP/SI industry in Europe; however we believe the sample to be highly representative. This year's survey provides an activity update and includes questions of how respondents run their VP/SI activity.

1. Please note that our three first industry surveys are available to download at: <http://evpa.eu.com/publications/industry-surveys/>

2. EVPA purposely uses the word societal because the impact may be social, environmental, medical or cultural.



Overview of the VP/SI sector

The European VP/SI sector continues to grow. Support for societal purpose organisations through the VP/SI method, continues to increase with over **€5b invested** since inception and **average financial support per VPO increasing by 28% to €8m** from fiscal year (FY) 2012 to fiscal year 2013.

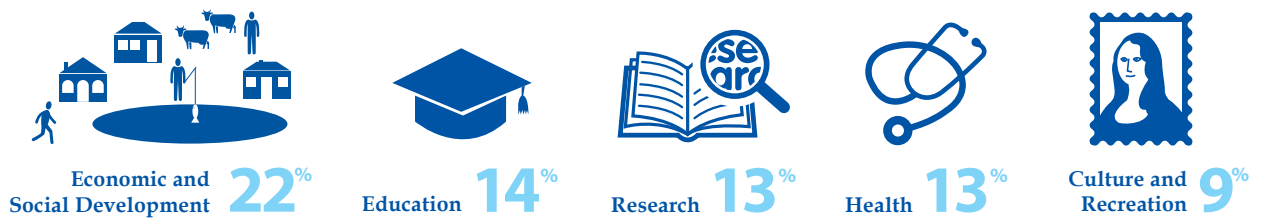
VPOs support their investees not just financially, but also with a *variety of non-financial support, ranging from consulting services to coaching and access to networks*.



% of VPOs offering different types of non-financial support, multiple choice

Non-financial support makes up for only 6.5% of total spend on aggregate in FY 2013. This is likely because non-financial support is still difficult to quantify. The Knowledge Centre of EVPA will conduct further research into this topic, to shed further light on what kind of non-financial support VPOs provide to their investees, if and how they quantify it.

VP/SI organisations support a wide range of sectors and beneficiaries. In FY 2013, *economic and social development topped the sectors (receiving 22% of funding)*, ahead of education (14%), research (13%), health (13%) and culture and recreation (9%). All together, the top 5 sectors made up for 71% of the total spend in FY 2013.



First five sectors – € spent in FY 2013 (% of total spend)

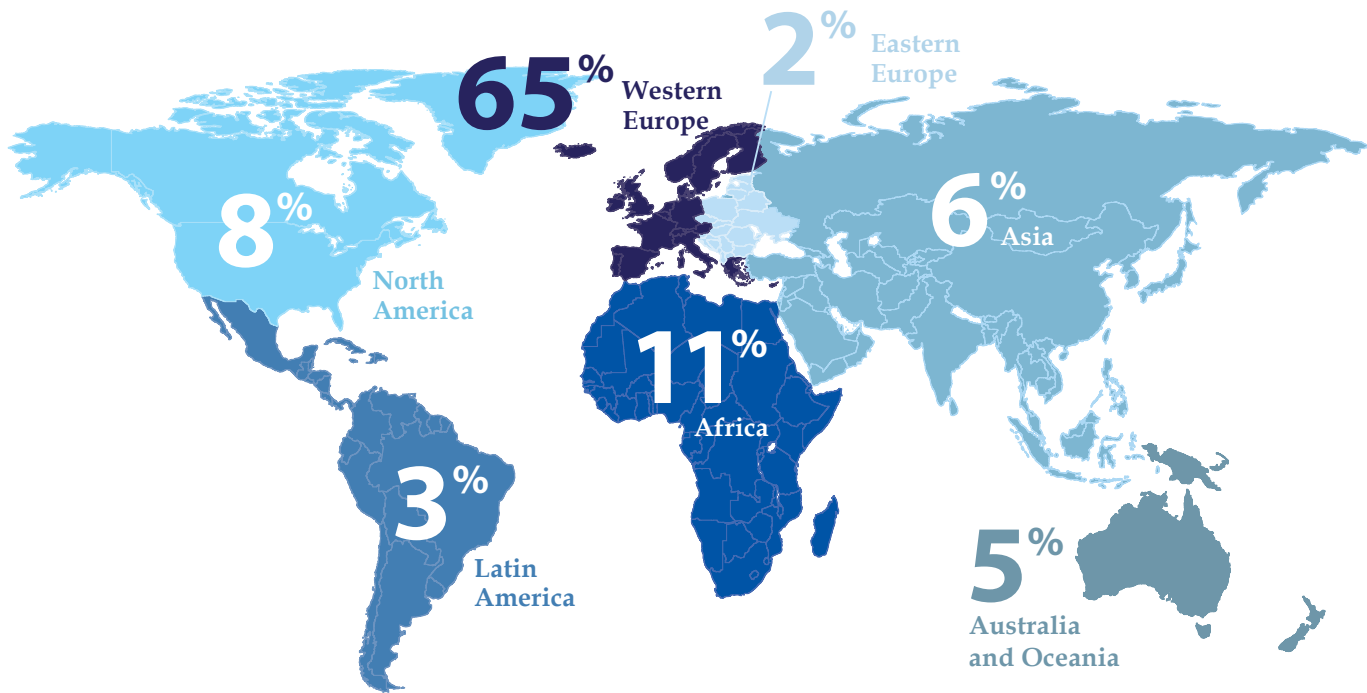
Children and youth remain the main beneficiaries of VP/SI investments, with 62% of European VPOs targeting this group. People suffering from poverty (36%) are still the second most supported group, and unemployed people (21%) remain an important group of support, followed by disabled (19%) and women (17%).



First five target groups, multiple choice

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The *bulk of funding is increasingly directed towards Western Europe*. Among developing countries Africa is still the main region targeted, but we see a sharp decrease compared to FY 2012. This year Latin America and Eastern Europe attracted only 3% and 2% of total funding respectively.



3. Pro-bono supporters provide more targeted and higher level support to investees as opposed to volunteers that help out in a more general way.

There is a trend towards *retaining paid employees and even more pro-bono supporters*, and less unpaid volunteers³, pointing toward a *professionalisation of the support* given by VPOs to their investees.

Pro-bono contributors



Unpaid volunteers



Paid employees

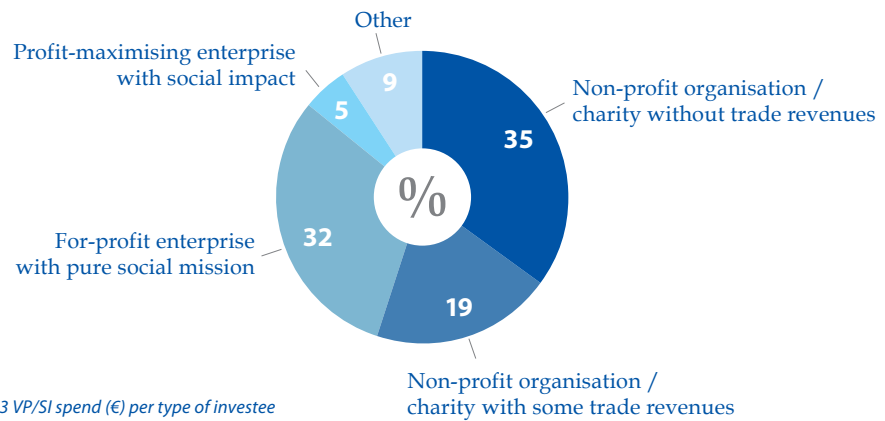


Paid external contributors

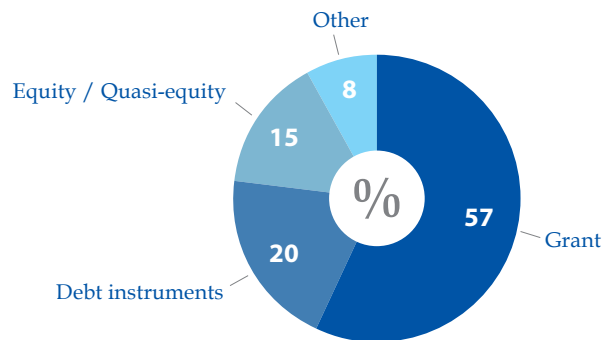


Human resources by count (average per VPO)

European VPOs continue to invest across a spectrum of organisational types. *Non-profits* without trading revenues *and social enterprises* are the key targets of VP/SI investment receiving 35% and 32% of total spend respectively.



Tailored financing is a key practice, with grants, debt and equity used by over 50% of respondents. *Grants remain the primary financing instrument* in terms of € spend. More VPOs are using financing instruments other than grants with an *increase in the use of guarantees and hybrid grants*.



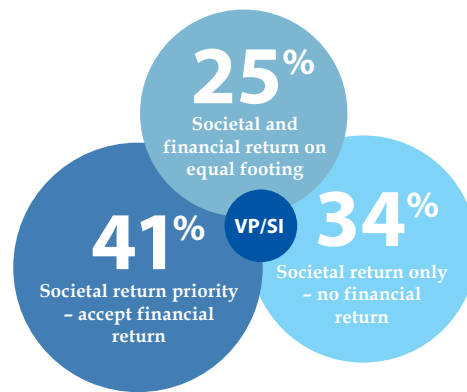
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Key Trends

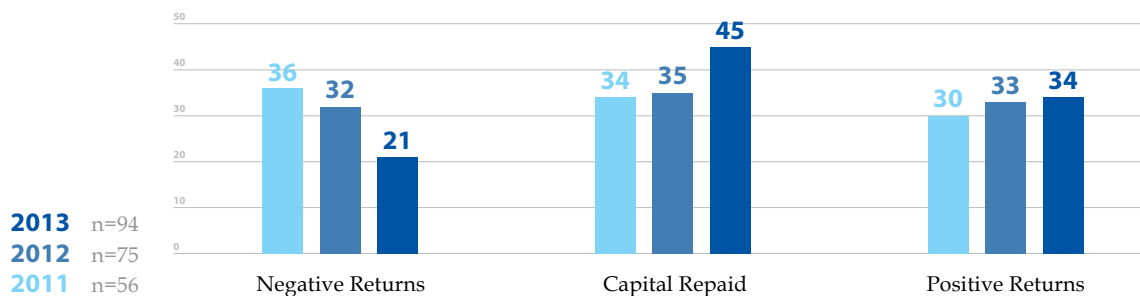
The 2014 EVPA survey confirms many of the findings of the 2013 survey, provides further evidence of the continued growth of venture philanthropy and social investment, and uncovers new patterns in the European venture philanthropy and social investment sector.

Societal return remains the *primary objective* of the majority of VPOs, but *recycling capital* is increasingly important. The survey targeted organisations prioritising societal return over financial return OR assigning an equal priority to financial and social return (i.e. excluding organisations that prioritised financial return). On a four-year view the number of VPOs where societal return is a priority but financial return is accepted is increasing and represents the largest category in 2014.

Summary of return priorities of VPO respondents

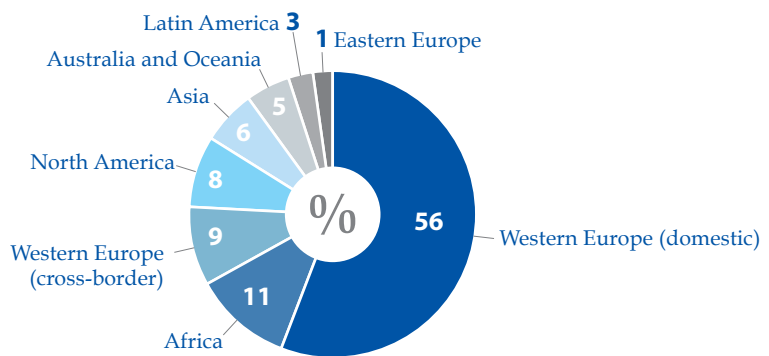


When asked about *return expectations*, responses were *less evenly distributed* than in the past years. The *share of VPOs expecting capital to be repaid increased*, while the share of VPOs expecting negative returns shrunk to 21%. This trend analysed together with the social vs. financial return objective indicates that *it is increasingly important to recycle capital*, even for those organisations that seek *primarily* a social return.



Summary of return expectations of VPO respondents, FYs 2011–2013

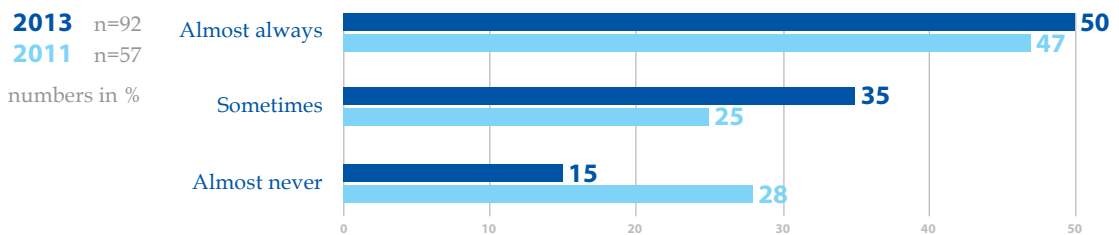
European VPOs invested either in their home country or internationally, in both developed and developing countries. *More than half of the total funding is invested domestically*, while the amount invested internationally is directed mostly to African countries and other European countries, with *cross-border funding* becoming increasingly important.



Geographical focus of VP/SI by € spend

An important trend in how VPOs work indicates a *move towards best practice in using the VP/SI approach*: an increased *focus on social impact measurement*.

The practice of impact measurement is both more fully implemented and is being used to manage impact to a greater degree as compared to our latest data from the 2012 survey. Over 96% of respondents report to be measuring social impact, and there is a significant increase in the VPOs that use impact measurement to inform decisions about unlocking new funding. The *five-step impact measurement process proposed by EVPA⁴* is being used by a vast majority of VP/SI organisations. These results indicate that European VPOs are increasingly integrating impact measurement into managing their investments towards greater impact.



% of VPOs that use impact measurement to unlock new funding (FY 2013 vs. FY 2011)

4. Hehenberger, L; Harling, A., Scholten, P., (2013), "A Practical Guide to Measuring and Managing Impact", EVPA. <http://evpa.eu.com/publication/a-practical-guide-to-measuring-and-managing-impact/>

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EVPA is committed to continue the research and promotion of best practice in the key components of the VP/SI model and reiterates the importance of a collaborative approach to developing the sector. On the trends identified in the survey and/or on any additional thoughts or comments we would be delighted to hear from readers as to their views on what is driving these trends. Any comments or suggestions can be sent to lhehenberger@evpa.eu.com.