

NESsT Venture Fund launched in Chile

Lee Davis

The NESsT Venture Fund (Fondo Nido) was officially launched in Latin America at the Social Enterprise Forum in Santiago, Chile on 30 October. The Forum brought together some 75 corporate leaders, non-profit practitioners, government and diplomatic officials from across the country.



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‘Civil society is an important index of a modern democracy,’ said the Honorable Gyula Barcsi, Hungarian Ambassador to Chile, opening the Forum, ‘and the work of NESsT here in Chile and in my country is an example of the type of international cooperation that is necessary to address the social problems we face in Central Europe and Latin America.’



Southern Chile: women tending the flowers in a Pachamama nursery.

The Forum was the first event of its kind in Chile to address the topic of ‘social enterprise’. As local civil society organizations (CSOs) in Chile struggle to find sufficient philanthropic resources to sustain their work, many are turning to the marketplace to sell products and services or start for-profit businesses as a means of generating income to support their mission. Such social enterprise (ie ‘self-financing’) has



grown to be an important source of income for CSOs in Chile. However, most CSOs lack business experience and the access to resources needed to develop such enterprises effectively.

Fondo Nido in Chile

Combining the long-term investment and venture capital models of the for-profit sector with the public-benefit purpose of the non-profit world to support social enterprises, the NESsT Venture Fund (Fondo Nido in Spanish) has provided financing and capacity-building assistance to a portfolio of social enterprises in the Czech Republic, Hungary, Slovakia and Slovenia since 1999. At the Forum in Santiago, NESsT outlined the investment strategy for Fondo Nido in Chile and two social enterprises already receiving initial support from Fondo Nido presented their enterprise strategies.

The first was Comunidad Terapéutica de Peñalolen, a Chilean CSO working with the physically disabled, which is one of seven CSOs in Chile recently selected by NESsT to receive capacity-building grants from Fondo Nido to assist with the development of feasibility studies for starting up or expanding social enterprises. Their aim is to create an organic farming and gardening enterprise to provide job training and employment for their disabled clients. Pachamama, an organization working with women in the Arauco region of southern Chile, an area infamous for its mining industry and extreme poverty, wants to expand its floral business, ‘Flores

del Sur’. The business cultivates and exports flowers to Argentina, Europe and the USA and is intended to provide employment for poor women as well as a sustainable source of financing for Pachamama.

With initial support from the AVINA Foundation, Fondo Nido has already assisted ten such social enterprises in Chile. Over the last nine months, NESsT has provided each with more than 30 hours of one-on-one consulting to assist in the development of a pre-feasibility study for their social enterprise. In late September, NESsT selected seven of these organizations to participate in a group training on feasibility study development and to receive continued individual assistance from Fondo Nido over the next six months. Since opening its office in Santiago in 1999, NESsT has provided training and consultation to more than 100 Chilean CSOs on various aspects of enterprise development.

Launch of new NESsT publications

NESsT also used the Forum as an opportunity to launch several new publications on the topic of social enterprise (all available in Spanish and English). These include:

- ▶ A beginner-level handbook on social enterprise called *Get Ready, Get Set: Starting down the road to self-financing*. This is designed to help the staff and board of a non-profit consider their options for self-financing.
- ▶ Legal guides on self-financing for CSOs in Chile and Colombia – the first two in the new NESsT Legal Series. These

Charity Bank – for the enterprising charity

Malcolm Hayday

Launched on 17 October, Charity Bank is the UK's first general charity to be authorized as a bank, and possibly the first in the world. Grameen in Bangladesh, Fie in Bolivia, CDFIs in the USA, to cite but three models, have all grown out of NGOs but, as far as we know, none has also retained their charitable status within the banking business.

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So what? You have only to read Fie's annual report to understand that banking is an industry with investor expectations and regulatory requirements that, if left untrammelled, can create tensions with the social objectives that led to the creation of the business in the first place. Remaining a charity means that Charity Bank can stay true to its mission. It has no shareholders to whom it must pay dividends, so all profits are ploughed back into the bank. The fact that it can take in gifts and donations lowers the costs of capital.

It must be stressed that Charity Bank is not in competition for

market share with commercial or other social banks. It is a response to market failure – the failure of many mainstream commercial banks to lend to the voluntary sector. It thus seeks to use the tools of banking to deliver its mission to provide affordable finance and targeted advice and support to community organizations and charities that might otherwise lose out.

A new way of thinking about charity

Speaking at the Downing Street launch, UK Chancellor of the Exchequer Gordon Brown (who has already opened a Charity Bank deposit account himself) talked of 'an emphasis on financing, not just fundraising; investing, not just giving'. 'Charity Bank is more than just a bank,' he said. 'It represents a new way of thinking about charity. At the same time as helping others, individuals and businesses that open Charity Bank accounts will be earning a modest financial return for themselves.'¹

It has taken us ten years to create a charity that offers banking that is worthy of its customers. It has involved patient negotiation with the financial, tax and charity authorities. Yet, in an increasingly complex and regulated environment, these authorities had the vision to understand the business case and allow Charity Bank to be authorized – the Charity Commission has published its reasons on its website (www.charity-commission.gov.uk).

If we can pilot the development of a complementary not-for-profit financial market in the UK, we can adapt that strategy in other countries, helping to create markets to which grant-aided NGOs can graduate as they become more self-financing and thus broadening the range of funding options open to charities. We are happy for those who wish to follow in our footsteps to come and spend some time with us to see what we do.

Charity Bank will not change the world overnight. But it is possible to take social investment to a new scale, meaningful rather than experimental. The bank starts with capital of around £10 million, provided by a range of commercial banks and charitable trusts and foundations.² Over time, it is hoped the bank will grow its balance sheet to up to £500 million.

Charity Bank will cause people to rethink charity – as enterprising rather than consuming. And it will cause us to think again about our money and how it can create social capital.

For more information, see www.charitybank.org

¹ Customers can choose to forgo the interest, which will then be reinvested in community projects.

² Investors include the Bank of Scotland, Barclays, Royal Bank of Scotland and Deutsche Bank and the Esmée Fairbairn Charitable Trust, Tudor Trust and Nuffield Trust.

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guides are the first of their kind to focus on the legal and regulatory framework that governs the 'self-financing' (ie income-generating, commercial) activities of CSOs in the two countries.

- The first volume in the NESsT Case Study Series, with nine in-depth case studies on social enterprise among small CSOs from Chile, Colombia and Mexico.

For more information, contact Lee Davis or Nicole Etchart at NESsT at nesst@igc.apc.org. See www.nesst.org

GRANTMAKERS' ORGANIZATIONS MERGE

October saw the merger of Grantmakers for Effective Organizations (GEO) and Grantmakers Evaluation Network (GEN). Taking the name GEO, the merged organization will, says its board chair, 'make better use of limited philanthropic resources in this tough economic climate'. GEO describes its mission as being to promote learning and encourage dialogue among funders committed to building strong and effective non-profit organizations, and to advance organizational effectiveness in the philanthropic community. It commissions, contributes to and publishes research, develops programmes, and holds a biennial national conference.

For more information about GEO and its current activities, see www.geofunders.org