

PROFILE

The work of charities is even more vital in times of recession, and the Private Equity Foundation is determined to address the plight of young people across the UK, as CEO **Shaks Ghosh** explains.

A strong foundation



Venture philanthropy has come a long way in a very short amount of time, growing from a little known phrase into a fully-fledged and well-established segment of the social investment sector.

One of the leading actors is the Private Equity Foundation (PEF), a two year old organisation focused on helping young people who are not in education or employment, by investing in charities using the private equity model, seeking social returns rather than financial ones.

In its first year, it managed to raise £4.5m, and supported over 20,000 children by the end of 2007. Here *EVCJ* talks to Shaks Ghosh, CEO of PEF, about the organisation's origins, its work, and its relationship with the private equity community.

Why and how was the Private Equity Foundation (PEF) set-up?

It is a frightening reality that some of the wealthiest nations on earth are still turning out young people who do not have the skills to join the workforce. In the UK, 1.2 million young people are not in education, employment or training (NEET). For them, life holds little more promise than a dole queue, depression and debt.

Faced with such statistics, 21 private equity firms decided to get together to give something back to the wider communities in which they operate.

In 2006, they formed PEF as a venture philanthropy fund with the aim of making donations work more effectively through harnessing their joint resources and by leveraging the money raised with pro bono support. By engaging with member and supporter firms right up to the most senior level, PEF could offer charities a quality and breadth of advice on financial management, legal and accounting questions, which is unprecedented.

Following consultation with its members, PEF chose its mission; to work with organisations which help children and young people with poor life chances access skills and development opportunities so that they are able to reach their full potential.

What is your investment strategy?

Our overarching strategy is to focus on a single major social issue so that we become experts in the field and have an impact on it.

ABOUT THE PRIVATE EQUITY FOUNDATION

The Private Equity Foundation (PEF) is a leading venture philanthropy fund which works with carefully selected charities to empower young people to reach their full potential. Its investments address the NEET (young people not in education, employment or training) issue and include not just money but also pro bono expertise from the private equity community.

By sharing its members' business skills, PEF can maximise the social return on its donors' investments and help charities achieve a step change in their impact to ensure even more young people benefit.

Since its creation in 2006, PEF has created a portfolio of more than ten charities and secured the backing of over 70 private equity firms and their advisers, including banks, law firms, accountancy firms, consultants and search firms.

SHAKS GHOSH, CHIEF EXECUTIVE OF PEF

Shaks Ghosh is the first chief executive of PEF. For the previous nine years she was chief executive of Crisis, the UK homelessness charity and in the 80s and 90s, pursued a career in housing and regeneration working at the Community Housing Association and the National Housing Federation.

We target small-to-medium-sized organisations as it's here that we can make the most difference. We rigorously assess the charities we invest in. Each charity has to have both the potential and the will to be transformed by the amount of money we put in.

Unusually, PEF aims to back entire organisations to grow rather than just procure services for individuals. Our investment of expertise and money in core infrastructure in our charities helps them build the extra capacity needed to allow them to raise further funding to help even more children and young people.

How involved are you with the charities in which you invest?

Very involved! The feedback we've had from our charities is that they want to work in partnership with informed and committed donors, not just accept a cheque.

Our wide supporter base including lawyers, accountants and investment banks, alongside private equity firms, means we can match the right pro bono expertise to the investment's needs. To give you an idea, our charities have benefited from everything from advice on business performance improvement from PricewaterhouseCoopers and help with HR strategy from Barclays Capital, to presentation training from ICG. Clifford Chance has given legal support and Deloitte has lent its expertise on finance systems and strategic partnerships, while Permira has provided advice on restructuring for sustainability.

Even when the skill fit isn't obvious, we still like to find a way to engage with our charities. For example, we recently funded a much-needed community centre in East London. It had little call for our usual pro bono work so we held a day of community involvement to add the finishing touches to the facility. The response was fantastic. We had over 80 volunteers rolling up their sleeves, doing everything from constructing a trim track and play house, to laying paving.

What is the background and experience of the PEF management team?

Our management team brings together a wealth of experience, with a particular focus on training and young people. I was previously chief executive at Crisis, the homelessness charity for nine years which I took from an organisation known for feeding London's homeless at Christmas to one which now focuses on delivering education and skills. We uncovered the problem of the hidden homeless and identified that though our clients had moved off the streets, the underlying issues were still there. They needed help to rebuild their lives so we created new and innovative projects to support them.

Our deputy chief executive, Sophie Livingstone's background is in communications

and public affairs. She joined PEF from the Foyer Federation, a national charity working with young people, helping them with accommodation, support and education.

Finally Harvey Koh, PEF's portfolio manager, has a background in strategy consulting at Monitor Group, where he led projects for clients across Europe and North America in industries ranging from consumer goods to chemicals, and on public policy issues such as national economic competitiveness.

In what way are private equity skills used to add value?

Our business practices are your business practices. Through the direct involvement of our members and supporters we are using private equity skills to add value right through our investment process.

To give you an idea, firms involved at the due diligence stage have included CCMP Capital, Cinven, Debevoise & Plimpton, Doughty Hanson, Ernst & Young, KPMG, Summit Partners, Terra Firma, Travers Smith and Weil, Gotshal & Manges.

Once funding has been granted, we put in SWOT teams with volunteers from firms including Ashurst, Debevoise & Plimpton and Deloitte. Each is led by a deal captain which to date has involved senior people from Bain Capital, Blackstone, Candover, KKR, Permira, Summit Partners and TPG Capital. Together, we agree priorities with the charities, tailor 100 day plans to build momentum and partnership, put in place formal investment agreements and measure and monitor impact.

We then work to support the charity and help them grow, over a period of three years or more.

You simply can't put a value on this type of input and we are extremely grateful to all our members and supporters who provide pro bono help as well as, it goes without saying, monetary donations.

How much contact do you have with your members and supporters?

As much as possible! As well as the usual annual face to face meetings and quarterly newsletter, as I've outlined, our members and supporters are integral to the work we carry out.

PEF itself is fortunate to receive direct pro bono support from a wide number of firms such as Apax, AMG, Ashurst, Bain & Company, Clifford Chance, J.P. Morgan, Kirkland and Ellis, OC&C, PricewaterhouseCoopers, and Towerbrook.

In addition, we have inaugurated a lecture series to provide a vehicle for PEF's supporters to gain a greater understanding of the issues facing charities and the young people

they support and hold one-off volunteering days and charity visits so that even more people can get involved.

What sort of reception have you received from the PE community?

The private equity community has been hugely supportive and we are fortunate to have the backing of 70 or so firms and their advisers.

In particular, we've noticed a real enthusiasm to get 'hands on' with the charities. Many of our member firms' employees have an interest in doing pro bono work but haven't had a chance to organise it. PEF can provide a unique outlet, enabling them to contribute their business skills in a new, highly participative way. Words we often hear include 'rewarding' or 'inspirational' as volunteers work with the many unsung heroes in our charities who are doing an incredible job on very tight budgets.

How do you think the current economic turmoil will affect your organisation and its work?

It has made PEF's work even more vital as it's inevitably young people who are most vulnerable in a downturn. If at first they don't succeed, that's it. In their world there are no second chances. We hope that the private equity industry will continue to come together in this difficult time to ensure that we don't risk wasting a whole generation of potential.

How do you measure how successful your investments have been?

Measuring return on social investment is still in its infancy in the charity sector. At the moment, we can only talk in terms of the 20,000 young people we have helped and the 3,400 pro bono hours donated to PEF and its charities. With just two years behind us, that's a record we're very proud of.

That said, our portfolio of charities gives us a unique opportunity to pioneer evaluation techniques and we have recently undertaken a project with the help of Ernst & Young to look at whether there is a common way we can measure and evaluate impact across our portfolio.

What are PEF's plans for the year ahead and beyond?

As I've said, the current economic situation makes PEF's mission even more urgent so we'll be working even harder to support our existing portfolio charities. We'll also be looking at promising new investments in the UK and Europe and we'll continue to invest in research so that we better understand what interventions work.

PEF is your charity and with your help, we will be able to support many more children and young people to reach their full potential. ■