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EDITORIAL

Dear readers,



For their funding, nonprofit organizations (NPOs) depend on others being willing to give money for a cause without receiving anything directly in return. These are either members, donors, other

NPOs and companies or the state. Even if many NPOs have also increasingly generated their own income through services in recent years, it is in the nature of charitable purposes that they are not entirely self-financed. Especially now before Christmas, a lot of donations are being collected. However, as society changes, so do the reasons why people give. Many of the motivations of today's most important generation of donors, such as religion, social obligation or personal experience, will carry less weight in the future. Instead, other reasons will become more important, such as personal involvement and organization or the visibility of the recipient group. However, the new motives also require a rethink of financing instruments. New opportunities are emerging, especially in the area of social and impact investing, which are particularly appealing to the younger generation of donors. For NPOs, this means that they should familiarize themselves with these forms at an early stage.

Wishing you a pleasant read,

Georg von Schnurbein

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New Possibilities for Financing

Non-profits & companies, foundations & investors - previously separate sectors are converging through impact-oriented financial innovations. This opens up new opportunities and creates new challenges. CEPS is researching both. By Lars Stein

Blended finance, innovative finance, outcome funding, impact revenue generation, impact tokenization, impact-linked finance – the list of new forms of financing and new terms for entrepreneurial solutions in the non-profit sector is long. What they all have in common is that they aim to generate additional funding for socially relevant initiatives and, above all, to mobilize investment funds from the capital market. But which of these can really be used for which type of NPO or social enterprise and how?

Pilot for Impact-linked Finance

We investigated this question using the example of impact-linked finance (ILF) in a pilot research project with two large Swiss NPOs. The project was funded by Gebert Rűf Stiftung. ILF is a blended finance methodology that uses outcome funding specifically to mobilize impact investments. Translated into everyday language: public donors and private foundations «order» measurable impact from an impact enterprise at a predefined price. Pre-ordering makes the impact-oriented business model attractive to impact investors. They provide capital for impact-oriented growth. The «outcome funder» only pays for the actual impact achieved. The investor bears the risk. So much for the theory and the practice that has been successfully tested in developing countries. But how do established

Swiss NPOs benefit? How can these financial innovations be linked to the existing business models of NPOs? Our pilot project shows: There is substantial potential for additional funding for Swiss NPOs, but harnessing it is no walk in the park.

Sectors Converge

ILF supports the crossing of boundaries: companies that place impact at the heart of their activities meet nonprofit organizations that consistently align their working methods with an entrepreneurial approach. Together, they are supported by investors who aim for social impact in addition to a financial return, and by foundations that provide philanthropic funds for entrepreneurial action in a way that is tied to impact. When instruments such as ILF are used, sector boundaries become blurred. Convergence creates new opportunities that enable efficient and impact-oriented entrepreneurial action to improve people's lives or to protect and regenerate the environment.

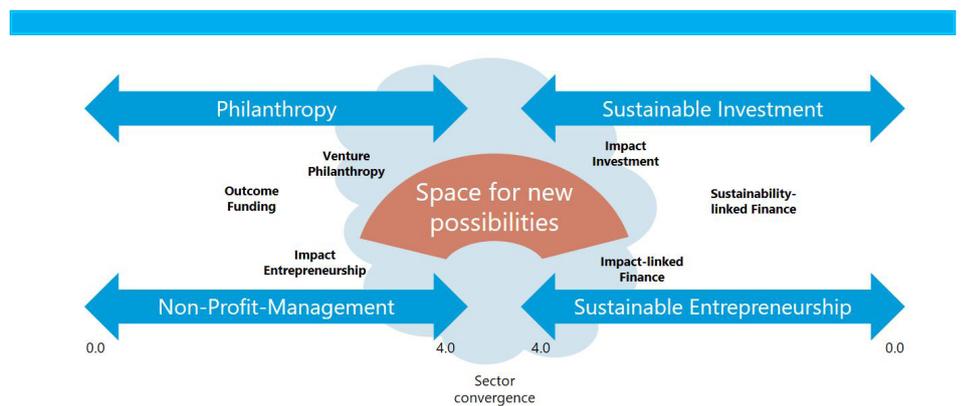
New Skills for New Opportunities

At the same time, new challenges are emerging: NPOs now have an extremely broad range of business models at their disposal. In order to use these, skills are needed that go beyond the previous NPO financial management - and also a kind of «meta-competence» in order to be able to recognize and actively

manage which (sub)sector you are currently operating in with which part of the business and according to which rules of the game you need to act. The complexity increases enormously. The situation is no less complex for foundations: They are being given new tools to support impact in a very targeted way and with relatively little funding. At the same time, they need to develop and maintain the ability to understand the funding partner's business model in a differentiated and multidimensional way. If the funding partner is organized like a company, then existing analysis tools and funding processes are only of limited use.

Regulators ready for the new world?

The most important and at the same time most difficult «construction site» for new forms of financing is probably the tax authorities and foundation supervision: When the sectors converge, traditional regulatory criteria no longer work. What is needed is regulation that learns, accepts the new models and is adapted to measurable impact vs. ex-



Source: Own illustration

ante sorting of organizations according to traditional non-profit criteria. We are currently a long way from this in practice. But we are staying tuned! And we would be happy to work with you if you would like to get involved.

Dr. Lars Stein, Research Fellow at CEPS, is a specialist in impact-oriented transformation. His passion is impact-oriented innovation and his expertise is integrated strategy and organizational development from creative, participatory visioning to implementation in the everyday processes of an organization. Lars Stein is trained as a systemic consultant, has worked as a social entrepreneur to enable education and as a public entrepreneur at the SDC to promote cross-sector cooperation. With Lucerne Strategy Advisors and the Lucerne Impact Initiative, he uses his skills as an impact entrepreneur with a hybrid business model to get a little closer to achieving the SDGs every day.

The Experience with the «Social Impact Bond Bern»

In 2015, the Canton of Bern's Department of Health, Social Affairs and Integration launched Switzerland's first Social Impact Bond (SIB) together with the entrepreneur initiative Fokus Bern, Caritas Bern and Invethos. The project was scientifically monitored and evaluated by BASS.

Expectations of the new form of financing, the Social Impact Bond, were very high in the run-up to the project and also attracted increased attention from the public, the media and academic circles. The aim was the sustainable integration of refugees and temporarily admitted persons into the labor market. Based on the experience of the Bern SIB, conclusions can now be drawn regarding the possibility of using the SIB as a new financing instrument.

The SIB as an Opportunity

Firstly, it can be said that the SIB in Bern was used as an opportunity to tap into the existing potential and resources of people who are connected in the economy and want to make a contribution to actively helping to solve a social and socio-political problem. Secondly, the SIB has created a space in which committed representatives from the business world and people from governmental and non-governmental institutions active in the social sector have been able to develop an integration

program through dialogue. In order to be able to agree on a common form of funding, this required, firstly, a consensus on how and with what means the problem in focus should be tackled and, secondly, an agreement on how success should be measured. The result was new and innovative program elements to promote labour market integration in the asylum and refugee sector. These include, for example, impact-oriented management with specific targets for job integration. This has given service providers new scope for action. The job coaches were able to use the available resources independently and in a targeted manner as they deemed most promising. It is doubtful whether purely state actors would have been prepared to use the funds made available in such a responsible manner.

Conclusion

The overall result of the SIB in Bern is positive. The targets defined in advance were exceeded, thus providing the investor with a return and the service provider with a financial bonus. The bottom line is that SIBs on their own cannot provide the solution to all problems. A SIB can only be as good as the program it finances. It can be used where there are gaps in the state social security system and helps to promote dialog between various socially relevant stakeholders and to jointly search for innovative and practicable solutions which, if they are actually successful, can then be adopted by the state

Jürg Guggisberg und Peter Stettler

Jürg Guggisberg (sociologist and Managing Director of the BASS office) and Peter Stettler (sociologist and Head of the Evaluations division at the BASS office) have scientifically monitored and evaluated the SIB in Bern.

[Evaluation pilot project «Social Impact Bond Bern 2015–2020»](#)

«Investors have the opportunity to become financially involved on three levels»

In many cities, innovative development projects are being launched to improve the quality of life of residents. Basel is no exception: the development of the Franck Areal is having an impact on a social, ecological and economic level. Co-initiator Pascal Biedermann explains to us in an interview what financing options are available and who can get involved.

CEPS: What is the Franck Areal?

PB.: The Franck Areal is a former industrial site where, over ten years ago, Nestlé produced the coffee substitute Franck Aroma from chicory roots, among other things. The sale to KULTQuartier Immobilien AG, which was founded by siblings Corinne, Dominik and Gabriel Eckenstein specifically for the purchase of the site, laid the foundation for the realization of a visionary project. We want to implement a pioneering project here that will make a significant contribution to a future worth living in by combining culture, the circular economy, housing and specific services for the neighborhood.



Pascal Biedermann studied music and holds a DAS in Nonprofit Management & Law. He is managing director of Wegwarte AG, which is transforming the Franck Areal. He has extensive experience in the conversion of industrial sites and is co-founder of Gundeldinger Feld and Denkstatt sàrl.

We are pursuing a comprehensive sustainability strategy that takes equal account of ecological, social and economic aspects throughout the entire transformation process. For example, all existing buildings are to be retained and only reused building elements and materials are to be used in renovations and new buildings wherever possible.

CEPS: What investment opportunities exist?

PB.: Interested investors who attach importance to ecologically and socially compatible investments have the opportunity to become financially involved in the Franck Areal on three levels. The priority level relates to land ownership, i.e. the investment in KULTQuartier Immobilien AG. The owner or building rights grantor uses the capital to finance part of the investments on the site. The next level relates to investments in the buildings, which are financed with secured loans to the building rights

grantor. And finally, project sponsors such as Kreislauf Haus can also raise capital to invest in tenant improvements, for example. Start-ups also require start-up financing in the form of donations.

CEPS: What are the advantages of this type of financing?

PB.: It is particularly interesting that we offer an impact investment solution that focuses not only on traditional financial returns at all three levels, but also on measurable social and environmental returns. This means that our investment models are based on the three-pillar model (triple bottom line). According to this model, sustainable development can be achieved by simultaneously generating positive effects on an ecological, economic and social level. In terms of mission investment, the focus is on a commitment that enables moderate, cost-covering rents, among other things, which in turn promotes innovation on the site. In return, investors will benefit from the long-term increase in the value of the land and buildings.

CEPS: What are the biggest challenges?

PB.: One challenge is to consistently implement our high standards of sustainability. However, we are determined to make the necessary effort to achieve this goal. We can rely on experienced site developers with extensive expertise. Now we need investors who can offer the project the necessary scope to achieve the desired impact. Investment partners have already been acquired in the first few months since the start of the project, which gives us confidence and motivation to take on the challenge of finding further investors.

CEPS: Does this mean that you have already actively started to implement specific projects?

PB.: Yes, we have - and practically in all four focus areas. The Tanzhaus, for example, will begin the first of its two-stage opening in fall 2024.

In this timeframe, in addition to the commissioning of a café, the active use of the former garage is also planned, which will primarily be used for events by and for the Horburg quarter. In the area of circular economy the first tenants, such as the Impact Hub and Leihlager, have already moved onto the site. We are currently working on attracting further prospective tenants who are active in this area.

CEPS: Many thanks and all the best for your future!

CEPS INSIGHT

Changes in the CEPS Team

At the beginning of December, we welcomed Muriel Grassmann and Stefano Rentsch to the team. Muriel joins the team as a research assistant. She holds a Master's degree in Business Administration Public & Nonprofit Management from the University of Freiburg. Stefano is a student assistant and studies at the University of Basel. Leea Moser, Nour Shokry and Carina Greussing left CEPS in December. In addition, Oto Potluka, who has worked at CEPS for almost 10 years, is now working as an associate researcher on various CEPS projects. <https://ceps.unibas.ch/en/about-us/team/>

New Online Course by CEPS

The new Massive Open Online Course (MOOC) entitled „Nonprofit Management and Innovation“ starts on January 8. The MOOC consists of four parts and can be completed independently or as part of the CAS Nonprofit & Public Management. The next start of the CAS is in January and registration is still possible. <https://ceps.unibas.ch/de/weiterbildung/cas-nonprofit-public-management/>

Jahrbuch der Hilfswerke

Together with PPCmetrics, CEPS is once again publishing the NPO yearbook this year. Based on the annual accounts of 534 mostly Zewo-certified NPOs, it provides insights into the finances and activities of Swiss NPOs.

The annual financial statements and reports published by the organizations form the basis for the analyses. The availability of these documents is very good for Zewo-certified organizations, but the transparency of former certified organizations is somewhat reduced. The seal of approval therefore appears to have a positive effect on transparency. While the coronavirus pandemic and its consequences were still at the center of attention in 2021, the war in Ukraine influenced the finances and activities of many NPOs in 2022. Our analyses show that almost one in four organizations in the areas of „Humanitarian aid abroad“ and „Domestic social work“ implemented projects in connection with the war in Ukraine. Carrying out Ukraine-related projects had a positive impact on donation income, especially for organizations active in humanitarian aid abroad. In addition to other financial analyses, the boards and management of the organizations were also analyzed this year. An evaluation of the gender distribution on the boards revealed that on average across all organizations, just under half (45%) of board members are female. Women hold the majority of board seats in just under a third (31%) of the

organizations. At 34%, the proportion of women on the management board is lower than on the board of directors. The proportion of organizations with a female management board has remained relatively constant over the years at 34%. In contrast, the proportion of women on the board has increased steadily over the years, from 41% in 2015 to 45% in 2022. Further exciting analyses can be found in the [online publication](#) and the [NPO Data Lab](#) offers an interactive insight into the data.

Dr. Dominik Meier

NUMBER OF THE QUARTER 15

CEPS has already been in existence for this number of years! Our founding ceremony took place in November 2008. On [LinkedIn](#) and [X](#), we have reviewed some of the highlights of the last few years. In addition to interesting facts and figures, we have also posted four short interviews with people who have been closely involved in the development of CEPS.

Finances in NPO

This book provides a comprehensive and detailed guide to strategic financial management in NPOs.



With the increasing professionalization of the NPO sector, systematic and comprehensive financial management in NPOs is also becoming essential. However, financial management in

non-profit organizations differs from that in profit-oriented companies. Therefore, concepts cannot simply be transferred. The book recently written by Georg von Schnurbein provides readers with a structured introduction to various areas of financial management in NPOs. It is the first book of its kind for the German-speaking world. The book provides a comprehensive overview, from the determination of financing requirements and the presentation of various sources of financing to the management and control of finances. Various templates and graphics illustrate the different topics. This book is essential reading for financial experts in NPOs and can also enhance many aspects of financial management in already highly professionalized NPOs.

Lucca Nietlispach

<https://link.springer.com/book/10.1007/978-3-658-41806-9>

CALENDAR

Executive Education

CAS Nonprofit & Public Management

4 Modules – Gunten & Basel
Start: 8 January 2024

Philanthropie am Morgen

Basel
6 February 2024

CAS Nonprofit Governance & Leadership

3 Modules – Sigriswil & Basel
Start: 8 April 2024

CAS Wirkungsmanagement in NPO

3 Modules – Wilen & Basel
Start: 19 August 2024

MAS/DAS in Nonprofit Management & Law

Start at any time

[Register Now -> CEPS Executive Education](#)

FURTHER DATES

PEXforum 2024

Philea, ACRI and Assifero
25 - 26 January 2024, Rome

Basler Stiftungsrechtstag

Jurist. Fakultät der Uni Basel & CEPS
15 March 2024, Basel & online

Internationales NPO-Colloquium

VMI, Universität Linz & Universität Göttingen
4 - 5 April 2024, Frankfurt a.M.

Deutscher Stiftungstag 2024

Bundesverband deutscher Stiftungen
14 - 15 May 2024, Hannover

ISTR Conference

International Society for Third Sector Research

16 - 19 July 2024, Antwerp

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