

Capital Access of Nonprofit Organisations

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The recent sales by the Salvation Army's Southern Territory and the St Vincent de Paul Society in NSW of their nursing homes point to a wider problem faced by many parts of Australia's nonprofit sector. Faced with the need for considerable new capital investment to ensure their accommodation met new aged care standards to be introduced in 2008, and recognising the challenges that such capital raising would entail, these two leading nonprofit organisations chose to pass the problem to others that could handle it — in the case of the Salvation Army a consortium containing Macquarie Bank and a large for-profit aged care provider (Macquarie Bank 2005, Horin 2006). Many other nonprofit organisations that over the past fifty years have built facilities such as hospitals, aged accommodation, child care and schools face similar needs to refurbish or reposition these assets and similar challenges in accessing the capital needed for the task. Capital is either difficult to raise or is inaccessible. Of greater importance perhaps, many successful nonprofits are constrained from expansion by difficulties in raising capital and many potentially important social innovations are strangled by their inability to raise start up capital.

Many anecdotes suggest a bias against nonprofit organisations in Australia's capital markets. However, there is another thread of discourse that argues the problems lay mainly with the managers and boards of nonprofits. Nonetheless, in comparable countries such as the United States and the United Kingdom governments have put in place policies specifically designed to ensure nonprofit organisations are able to access the capital they need. This paper draws on a recently completed report for the National Roundtable of Nonprofit Organisations (NRNO) (Lyons, North-Samardzic and Young 2007) to determine the extent and dimensions of the problem in Australia and to canvass options, including government policy adjustments, which would address it¹.

Nonprofit organisations

The size and scope of Australia's nonprofit sector is often not appreciated. A nonprofit organisation is a private organisations formed to provide a service (for members or others), to advance a cause or for religious worship. What distinguishes them from the more common private for-profit organisations is their self-imposed prohibition on the distribution of profit to members or supporters; surpluses are reinvested in the organisation. In Australia, nonprofit organisations are particularly important in the provision of education, social assistance and health care, including hospital care and health research. Registered clubs are nonprofit organisations as are most sporting and arts organisations. So too are business and professional associations, unions and political parties. Religious worship is organised through nonprofit organisations (Lyons 2001). In 2000, the Australian Bureau of Statistics (ABS) estimated that Australia's nonprofit organisations employed over 600 000

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people, turned over more than \$30 billion and contributed 3.3% to GDP, a contribution equivalent to that of the agriculture industry (ABS 2002).

Although the picture varies industry to industry and organisation to organisation, around 55% of nonprofit operating revenue comes from the sale of goods and services. Government grants and contracts contribute around 30% and donations, foundation grants and return on investments the rest. When it comes to raising capital, whether for renewal of facilities or equipment, or for expansion or for nonprofit start-ups, the picture becomes more fractured.

Traditionally, nonprofit organisations have found the capital they need from among a variety of sources. These include:

- Setting aside annual surpluses over many years to build an endowment or capital fund;
- Seeking bequests and then putting them into a capital fund;
- Conducting a capital campaign;
- Obtaining a capital grant from a foundation or a business;
- Obtaining a capital grant from a government department;
- Borrowing from a bank or other approved financial institution and servicing the loan from recurrent revenue.

In many cases, several such sources will be used.

A few nonprofits have available further specialised sources of capital:

- In residential aged care they can obtain a long term, no interest loan from people who will use the facility (a resident's contribution);
- Nonprofits sponsored by large Christian denominations mostly do their banking with specialist, financial institutions maintained by the denomination, such as a diocesan development fund, and are able to borrow from these institutions.

Some of these methods are more suited to some nonprofits than to others, depending both on their size, their location and more importantly on the sort of activities they perform, that is, the industry to which they belong. Many of these methods of capital raising are closed to most nonprofits. Of course, because they are not permitted to distribute profits, equity, that one source of capital frequently used by for-profit enterprises, including those that compete with nonprofits, is not available to nonprofit organisations.

Barriers to access

Different groups of nonprofits find it difficult, even impossible to access many of the traditional sources of capital listed above.

Nonprofits that mainly rely on government grants or contracts to fund their activities will generally find it difficult to generate a sufficient surplus to build a capital fund. Very few government programs acknowledge the need to service capital costs in their recurrent funding programs. A few however, allow for rental payments, suggesting that they assume that the nonprofit will lease rather than acquire property. Nonprofits

that rely on public donations will often refuse to build a capital fund on the grounds that donors expect them to put all donations into providing assistance.

Bequests are generally made to long established organisations with a high public profile, though also to organisations that have favourably touched the person making the bequest in some way, such as a school or university or organisations offering care and support to people with an illness. Building a capital fund from such a source is a long term task, and one that requires discipline. Many organisations are distracted from it and apply bequests to meet annual deficits.

While the number of nonprofits that can sensibly anticipate success from a capital campaign is larger than those that will eventually benefit from bequests, nonetheless capital campaigns are more likely to be successfully pursued by larger, longer established organisations with a strong donor base. Long established, elite schools, with a base of wealthy parents and ex-pupils are the most successful at conducting capital campaigns.

None of the above sources of capital are available to start up ventures. Capital for start-ups, as well as for expansion and redevelopment can be obtained from foundations and from businesses in the form of grants, but even here there are difficulties for many nonprofits. Most foundations are restricted in their grant making to support only nonprofits that have secured from the Australian Taxation Office (ATO) Deductible Gift Recipients (DGR) status. This makes it impossible to support many new ventures, either because such status has yet to be granted, or because the new nonprofit is ineligible and lacking the influential supporters needed to persuade the Prime Minister or Treasurer to add it to the list of “other” DGRs that is appended to the Tax Act.

Whereas from the 1950s to the 1980s government capital grants were readily available to assist the erection of specialised accommodation for older people and people with a disability, governments are now very reluctant to provide capital grants, other than as an act of grace and favour to a specific organisation. In a few programs, as noted, they allow an amount for the cost of capital in their recurrent funding. In school education, the Commonwealth government has a capital grants program favouring schools in low SES areas, but the funds go only a small way to satisfy the demand for capital. Several state governments assist nonprofit schools to borrow capital by subsidising their interest payments.

Finally, many nonprofits are unable to access loan finance from banks or other financial institutions because they do not own fixed assets that could be used as security for a loan. As well, loan assessors in most financial institutions find nonprofit balance sheets hard to understand and their business plans challenging because they are not framed along conventional lines. In many cases, for example, nonprofits rely on government grants or contracts as their main source of income from which they must service a loan; they might also identify regular income from fundraising and make use of volunteers to reduce their costs: all transactions unfamiliar to the average loans assessor. Loans assessors will wish to see evidence that the nonprofit can service a loan, most usually in the form of a capital fund built from surpluses. The difficulty many nonprofits face in building such a fund has been outlined. Further, when nonprofits have received some government assistance to acquire land or to build

a facility, the government sometimes retains a mortgage on the land. Even if it is for only a nominal sum, few financial institutions will wish to secure a loan with a second mortgage. Even without these difficulties, unless the nonprofit is very large or has the backing of a church, lenders will usually seek personal guarantees of a loan from directors. This is inevitable in the case of a start up, but will often apply even if the nonprofit has unencumbered property to mortgage. Not surprisingly, directors are reluctant to enter into such agreements

The previous discussion summarised the problems that different groups of nonprofits face in accessing various sources of capital. These are a consequence of the nonprofit being unable to meet the requirements needed to access the source of capital. There is a further set of problems that prevents many nonprofit organisations from accessing the capital needed to develop or redevelop. These arise from lack of knowledge and lack of confidence among staff and directors of many nonprofits. They might have assets to secure a loan and an income stream to service it, but do not know how to approach lenders, or they are reluctant to take the risk. The nonprofit may have a capacity to build a capital fund but directors and managers are unaware of the long term importance of doing so. They may be able to raise some capital and/or reduce costs by merging with a similar nonprofit, but are reluctant to take such a step. Some evidence of the extent of these demand side problems is provided in a survey of Victorian nonprofits mainly from the community services, health and community development fields, conducted in 2005 by KPMG for the Victorian Department of Communities (KPMG 2005).

It is clear that most nonprofit organisations face many problems in accessing capital. But how extensive are these problems? Are they significant enough to warrant a policy response? And if so, what options are there?

Do Australia's nonprofits face a capital crisis?

The short answer to the question is no. Most of Australia's nonprofit organisations are not in a position where they have an immediate need for capital which they cannot satisfy and without which they jeopardise their future. However, as evidenced below, some nonprofits in certain fields, and especially in regional and rural areas, do face an immediate crisis. As well, over the longer term the difficulties faced by many nonprofits in accessing capital slow the development of the sector. It distorts the ability of many nonprofits to compete with for-profit organisations and inhibits the potential of the sector to be a major source of social innovation. The following section deals with each type of need for capital (for refurbishing, for expansion and for new ventures) in turn.

The most important groups of nonprofits that face problems in obtaining capital to refurbish ageing facilities, either to meet changing public expectations or revised government standards are those providing aged accommodation, hospital care, school education and community radio and television.

Nonprofits providing aged accommodation have been long assisted by their capacity to collect an interest free accommodation bond. The bond is eventually repaid, but the nonprofit can apply interest to maintenance of the facility. A bond cannot be required from those requiring intensive (nursing home) care, but unlike that provided

by the for-profit sector, most nursing home accommodation provided by nonprofits is part of a larger aged care complex and has benefited from access to the accommodation bond. Most people moving into early stage aged accommodation have recently sold a house and pay the bond from the proceeds of the sale. The size of the bond has increased to reflect rising house prices in the catchment areas of the facilities. Provided they have competent boards and managers such nonprofits are able to access needed capital. However, smaller nonprofits in country areas which have not seen increasing property values and which have not been able to attract directors and managers with appropriate business skills face problems in meeting new standards (Hogan 2004). Similarly, nonprofits that have accepted mainly disadvantaged people with little or no ability to pay a bond also face difficulties. Some estimates claim that around 20% of nonprofits in the field will have difficulty accessing needed capital.

Constant developments in medical technology create for hospitals a never ending need for new capital. Some, especially those with a high profile have been able to find capital for expansion or relocation from a mixture of asset sales, donations (capital campaigns), bequests, surpluses and loans. Some, however, especially in regional centres are not coping so well. Over the past thirty years many private hospitals, especially those operated by various Protestant denominations have been sold to for-profit hospital chains. Most remaining nonprofit hospitals are operated by organisations associated with the Catholic Church. Those funded as public hospitals and receive capital funding in state government health budgets. Of those operated as private hospitals, some have faced difficulties finding the capital needed to refurbish and re-equip. Some have been sold to for-profits, but more recently, in NSW at least, the Church has formed an overarching entity to manage many of the remainder (and many aged care facilities as well). This has enabled them to obtain the best financial advice, to pool resources and access other church sources of finance.

The most prominent role played by nonprofits in Australia's education industry is in schooling where they hold one third of the market. This share has grown by several percentage points over the past decade. Almost all nonprofit schools are associated with a Christian denomination or a non Christian religion. On average, more than half their operating revenue comes from government support for their pupils (effectively in the form of a quasi voucher). It is graduated to reflect parents' capacity to pay, but on the basis of the average income of the statistical district wherein the parents reside. The rest of the current income of nonprofit schools comes from fees. New schools need capital to start up; others need it to expand or to renew ageing facilities and to introduce new equipment, such as IT. All established schools have to meet new standards, particularly health and safety standards to retain their registration. For many this means replacing ageing demountables with more substantial accommodation.

The long established elite schools are able to rely on capital campaigns and regular tax deductible donations to their school building funds. Bank loans are easily serviced from their high fees. Their facilities have improved remarkably over the past decade or more, ever since the first government capital assistance began flowing in the 1960s. Schools belonging to the major denominations such as Catholics and Anglicans can rely on the support of higher levels of the church, such as a diocese or synod, especially diocesan or state level church "banks" or development funds. As an

example, the Catholic Education Office of one diocesan school system that turns over a little over \$100 million annually spent \$90 million dollars over past 5 years on major capital works, including \$40 million on a new K-12 school in a rapidly developing area. While government capital grants covered around 8%, the great bulk of the capital was borrowed from the diocesan development fund at near commercial rates. The Office estimates that it should spend another \$70 million in improvements and expansion over the next 5 years, but is unable to service any more loans for several years. By contrast, many of the nonprofit schools that have started over the past 30 years, often associated with newer Pentecostalist churches, do not have a larger church structure from which to draw support. The average income of their parent body requires that they charge low fees. They too face regulatory pressures to upgrade their schools, but have few savings and despite guaranteed cash flows, find banks uninterested in their case. Possibly 15% of private schools will be forced to close if capital cannot be found.

In sport, recreation and the arts, specialist facilities (grounds, theatres and halls) are provided for a fee by other entities, most often governments. One exception is the many community radio and television stations that have begun the past three decades. They all face the need to re-equip their studios and broadcasting facilities as a result of the shift to the digital spectrum by 2009. Larger hospitality clubs are generally able to borrow to refurbish facilities or to expand. Many smaller clubs have been unable to do so and have closed, leading to a growing concentration of club membership in fewer large clubs.

Many nonprofits that are unable to obtain capital to upgrade facilities are in that position because of failures in their management and governance. There are other nonprofits that are well managed but unable to expand because they cannot access the capital they need. The most important area is housing.

Compared with the United Kingdom or the United States, in Australia the nonprofit sector has a relatively small role in the provision of housing for low income or disadvantaged people. While nonprofit organisations pioneered the provision of housing loans to working people, the provision and management of low income rental housing was developed by state government authorities after 1954 with Commonwealth government assistance. Beginning in the 1980s however, nonprofit housing associations emerged to manage housing stock mainly owned by government authorities. Many of these associations are small, but a few large housing associations have developed, with financial and risk management skills beyond those needed simply to manage housing stock. Many of these large associations also own some of their housing stock and are keen to expand their role, raising capital from private sources to do so. However, the high cost of land in the capital cities and some regional centres makes it difficult to provide housing to low income Australians (affordable housing) without some form of government support. Generally this support, when it is provided, is in the form of government capital grants which can be leveraged to raise private capital. This capital is limited in quantity and scope (it is not available in some states), and as a result there is a significant constraint on the capacity of housing associations to meet the undeniable need for affordable housing.

Housing associations are indirectly supported by the Commonwealth government through rent assistance paid to people receiving government pensions and benefits

(but so too are private landlords renting to low income tenants), and through favourable rules for tax treatment under the GST and for some other state and local government charges. Many housing association leaders argue that as well as direct financial support, governments need to provide greater certainty that particular concessional treatments will remain in place if they are to convince banks or other financial institutions to lend to them over the long term. The question of how to dramatically expand the provision of affordable housing has generated Australia's most innovative and sophisticated policy work around how to mobilise private capital for public purposes. Leaders of nonprofit housing providers and peaks have been contributed to this work, along with housing industry peaks, some state housing authorities and the government funded, university based Australian Housing and Urban Research Institute (AHURI)².

While this sophisticated research and modelling has been going on for many years, it has produced almost no actual policy initiatives. Government treasury departments remain indifferent. It is a sobering reminder of the challenges faced by the nonprofit sector in having its capital problems recognised and addressed by governments.

Two other sets of nonprofits that face significant constraints to growth because of difficulties accessing capital are those providing housing for people with disabilities and those providing employment and training services. In the former case specialist accommodation is required, ruling out the possibility of renting, but nonprofits providing this care are generally of only medium size and possess few assets. Consequently, banks are reluctant to consider loan applications. In the latter case successful nonprofits are large and compete with for-profit firms, but believe they could grow or grow faster with easier access to capital. They rarely own the buildings they operate from and have few assets. In this field there is a slow conversion to for-profit to enable access to equity capital.

The third group of nonprofits to face particularly challenging problems accessing capital are new nonprofits: those formed by one or more enthusiastic, entrepreneurial individuals who believe they have new ways to address old, or new, social problems. These often follow a social enterprise model and can be found particularly in health and social assistance, in the arts, in the environment movement and in community development, especially in attempts to revive run-down rural communities and provide work for their young people. They are an important source of social innovation, but many such initiatives are still-born because they are unable to access capital. In some cases initial capital can be found from foundation grants, but these are restricted to organisations that have met the Tax Office's often confusing tests to qualify as a deductible gift recipient. But even those that are able to receive initial support from grants and have evidence that their business model is profitable face further barriers when those grant funds expire. Without a longer track record and assets, conventional financial institutions will not consider them.

International Practice

² Some of the analysis and modelling designed to find the best ways to use government incentives to mobilise private capital for affordable housing can be found at www.ahuri.org.au and www.nchf.org.au

Nonprofit organisations in countries comparable to Australia, such as the United States and the United Kingdom also face similar problems to those confronted by Australian nonprofits. The difference is that the problems are recognised by governments and policies are in place to address them and to encourage nonprofit growth and competition with for-profits. These policies are designed to encourage private investment in nonprofit enterprise by removing or compensating for the additional risk investors or lenders believe they face. They are framed in a policy environment conscious of the economic theory and research that demonstrates that nonprofit organisations are best suited for the provision of certain services; providing higher quality and requiring lower government expenditure on monitoring (Weisbrod and Schlesinger 1986, Krashinsky 1998, Schlesinger and Gray 2006). Policies also recognise that many valuable new ways of responding to social problems are the product of nonprofit entrepreneurs and seek to encourage these (Badelt 2003, Department of Trade and Industry 2002). The major mechanisms and the forms of government support that enable them are outlined below.

In the United States the method of capital fundraising commonly used by large charitable nonprofits is the tax-free bond. A nonprofit, or group of nonprofits with a need for capital approach a local, city or state government which, after appropriate planning and approval by the Internal Revenue Service (IRS) will issue 5 or 10 year bonds that generally will be taken up by institutional investors. The return on these bonds will be tax-free and are secured by the government issuing them on behalf of the nonprofit. This method is extensively used to build or purchase and renovate low income housing, to build, extend or refurbish health and welfare facilities and large cultural nonprofits such as museums.

Another method, originally proposed by a large nonprofit low income housing provider is the use of tax credits, specifically to raise capital for low income housing. Created by the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) has in the past twenty years created almost 2 million housing units for low income families, and as a consequence, helped revitalise rundown neighbourhoods. The organisational structures that utilise the LIHTC are complex but generally involve a partnership between an organisation that will develop and manage the housing and a passive investor who will provide almost all the funds and will receive the bulk of the tax credit. Usually around 75% of development costs are eligible for the tax credit (Enterprise Social Investment Corporation 2005). The investor uses the tax credit (usually spread over 10 years) to reduce their federal tax liabilities by the amount invested in the housing project. The developer might be a nonprofit, but is more likely to be a for-profit entity, or a partnership between a for-profit developer and a nonprofit manager. Effectively, it is a method of attracting private funds and management expertise to provide low income housing with a minimum direct government involvement; there is of course a loss to the revenue via the operation of the tax credit. The federal government retains control over the overall liability by determining in a budgetary context the level of tax credits to be issued in a particular year. State housing agencies bid for blocks of these tax credits and allocate them to development proposals on a competitive basis.

Another piece of institutional innovation that addresses the need nonprofits have for capital and their need for business expertise is the community development financial

institution or CDFI. There are hundreds of CDFIs in the United States. The essential feature of a CDFI is that it draws funds from several different sources, including grants and loans from governments and foundations and long term loans from conventional financial institutions, sometimes raised by issuing debentures or bonds, including tax free bonds. CDFIs support nonprofit housing developments and social enterprises (and sometimes small and micro-business enterprises) with an appropriate mix of finance ranging from grants to low income to market rate loans. In addition, and to reduce the risk associated with the investment, it carefully assesses each proposal and works with nonprofit or social entrepreneurs to ensure they have a viable business plan and appropriate business and management expertise. In this respect CDFIs behave rather like a venture capital firm. This mixture of finance plus expertise is a defining characteristic of the CDFI (Parker and Lyons 2003).

Parts of the nonprofit sector in the United Kingdom also face problems accessing capital, and the Blair Labour government has taken steps to address this. One initiative has been to follow the United States example and to encourage the growth of CDFIs. Following a major review of finance for social development, the United Kingdom government in 2000 introduced tax breaks for investors in approved CDFIs (Social Investment Taskforce 2000). A further initiative to facilitate the access of nonprofits to capital was the announcement in March 2007 that the government had accepted the proposal of the Commission on Unclaimed Assets and would legislate to establish a social investment bank. With initial capital of at least 250 million pounds, provided from unclaimed assets in dormant bank and building society accounts, the bank would act as a bridge between the social and financial communities leveraging further resources from private sources and the capital markets. It would also develop the provision of advice and support for new ventures (Commission on Unclaimed Assets 2007).

Another UK government initiative has been to create a new organisational form, the Community Interest Company (CIC). This new form of company has been designed to facilitate the growth of social enterprise. It is designed as a vehicle to mobilise private initiatives, expertise and capital to address public need. It is permitted to raise capital by issuing a form of equity, though investors will have only limited voting rights and the company's assets will remain locked into its public purpose. For its champions, the CIC is a vehicle that will eventually replace the old charity model of mobilising private resources for public purpose. In other words it envisages an equity model of raising capital for private organisations formed to pursue a public purpose.

What of Australia?

There has been little government interest in Australia in strengthening the nonprofit organisations (Lyons and Passey 2006). Within the nonprofit sector there have been a few initiatives designed to address at least one of the dimensions of the problems that nonprofits face accessing capital. Only one of these has a major impact. This has been the development over the past forty years of church "banks" (eg diocesan development funds) to provide capital for nonprofits associated with the particular church. Collectively, these funds hold several billion dollars and appear to work remarkably well, but they rely on a large number of organisations sharing a dual bond: that of geography and faith.

One other development worthy of note is Social Ventures Australia (SVA), an initiative of several large community service nonprofits that has been funded by several corporate foundations. SVA seeks people wanting to start a new nonprofit or radically expand or reorientate an older one. Through a process of review and advice SVA whittles the list down to two or three a year to which it provides more intensive mentoring using people with business skills. SVA covers immediate start up capital needs with short term grants and although it does not make loans itself, it facilitates access to loan finance from banks.

A few years ago a group of nonprofits joined with Bendigo Bank to establish a Community Sector Bank. This operates as a franchise of Bendigo Bank along the lines of the community banks pioneered by Bendigo Bank in the mid-1990s. The Community Sector Bank has grown slowly, finding it easier to get nonprofits to deposit with it than to apply for loans.

Policy Options for Australia

There can be no doubt that nonprofit organisations are disadvantaged in existing capital markets. In part this is because actors in those markets do not understand nonprofit organisations, but in part it is because of the timidity and lack of financial and other business skills of nonprofit managers and boards. The CDFI model, which creates a specialist financial intermediary between nonprofits and capital markets and provides business advice to nonprofits when needed addresses both issues. As noted, in both the UK and USA, governments offer modest tax assistance to help these intermediaries (and in the case of the USA, operating nonprofits as well) raise funds from conventional investors, thereby reducing interest rate to be paid, and thus the cost of capital.

Social Ventures Australia appears to have created a successful vehicle for assisting nonprofit start-ups. It raises some grant money of its own, and provides initial business training and mentoring. For initiatives that appear to have a chance of success (and it is developing an expertise in nonprofit risk assessment) it mobilises business mentoring and loan capital from banks. It is the closest Australian example of a CDFI. Those responsible for its development could advise on how to expand or replicate it. But while it is a suitable model to assist nonprofit start-ups, another vehicle would be needed for established nonprofits wishing to expand, or to undertake a major refurbishing of existing facilities.

One such model is the charitable tax-free bond. To create such a bond market in Australia would require amendments to the Corporations Act and the Tax Act. But there remains the question of the asset backing of the bond. In the United States, local or state governments guarantee these bonds. This ensures that should a bond issuer fail to meet payments the facilities that they are operating (and thus the lives of vulnerable people) are not placed in jeopardy. This method has been successfully used in Australia's past, most noticeably to revive the housing market after the Great Depression, when state governments backed the loans made by banks and insurance mutuals to terminating building societies. The guarantee was hardly ever called on (Lyons 1988). Governments may be prepared to look at such a proposal given that for little or no cost to the revenue it could unlock and apply to a public purpose millions of dollars that would not otherwise be applied to such a purpose.

If there was reluctance to acquire such liabilities, the Australian government could take a leaf from the UK government and establish a social investment bank. The initial capitalisation of the bank could come from a one-off grant of say \$250 million, an easy task for a government with budget surpluses of the size that are currently achieved. Independent of government and staffed by people with banking and finance backgrounds (trained to understand the nonprofit sector) and with a board of bankers, financiers and nonprofit leaders, a social investment bank could raise further capital and support well managed nonprofits wishing to expand, and CDFI type organisations such as SVA. It could also work with existing nonprofits needing capital to renew, but only after an agreed business plan was put in place to ensure the organisation could meet repayments. As with the UK proposal, the bank could support other intermediaries in their efforts to raise capital and gradually deepen a nonprofit capital market. The growing quantum of ethical or socially responsible investment funds looking for investment opportunities would assist this process. The experience acquired by such an institution would be invaluable in underpinning the further development of the nonprofit sector, especially its capacity for social innovation.

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