

# PHILANTHROPY IN BRAZIL

A working paper

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Philanthropy for Social Justice and Peace

in association with *Alliance*, WINGS and  
Philanthropy Network for Social Justice

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## Cover photo

The Amazon rainforest is among the richest bio-regions on earth and houses tens of thousands of indigenous peoples, some still uncontacted. It is now widespread scientific knowledge that the best preserved regions on the planet are under the care of traditional communities; and that Indigenous Peoples hold sophisticated empirical knowledge of the rich biodiversity they live in. They are now under extreme threat as their territories stand in the way of mega infrastructure development projects like dams, pipelines, waterways and roads which will support the growth of industrial mining, logging, cattle ranching, mono-crops such as soy and palm oil, exploitation of petroleum and gas, and so on.

This photo shows the Mundurucu people blessing their river, the Tapajós, during a major caravan they organized with local activists and riverine communities to call attention to their plight and the enormous impact that a series of dams planned for this river would have, not only for them but for the entire planet. CASA has been supporting native communities throughout the Pan-Amazonian region to organize, improve their livelihoods and come together to secure their constitutional and international legal rights to be consulted and have a voice about any plans that will affect their territory.

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## INTRODUCTION

### PHILANTHROPY, SOCIAL INVESTMENT AND PLAIN GIVING

Underlying any discussion on ‘philanthropy’ in Brazil is a fundamental question of terminology. It is often said that ‘social investment’ or ‘private social investment’ is the term most commonly used in Brazil rather than ‘philanthropy’. This is true, but it isn’t the whole picture. For one thing, there are different understandings of what is meant by ‘social investment’.

There is no doubt that the term philanthropy has negative associations in Brazil. It is associated with traditional charitable initiatives (churches, hospitals, social care organizations, etc, often run by religious institutions) or tainted by a suspicion of corruption, where ‘fake’ charities are used for illegal purposes. ‘Here it is pejorative, related to charity,’ says Graciela Hopstein, coordinator of the Philanthropy Network for Social Justice.

The term social investment was introduced in the 1990s when GIFE (Group of Institutes, Foundations and Enterprises, the main umbrella body for institutional philanthropy in Brazil) was founded. ‘GIFE’s creation was part of a process in the 1990s to promote active citizenship and make democracy work,’ explains GIFE secretary general José Marcelo Zacchi. ‘We wanted to differentiate the type of work the GIFE network was aiming to do from the work of these traditional charitable organizations. The term philanthropy was associated with a charitable, non-transformational approach, but we wanted to develop approaches that were more transformational, more ambitious, long-term, results-orientated, sustainable, connecting with public policy and engaging in dialogue on social issues. The notion of investment is familiar to private actors – and we wanted to bring in the idea of investment as long term.’

While there is general agreement about the origins of the term social investment in Brazil, there is less agreement about what it means now. Hopstein sees it as ‘a limited concept and normally associated with corporate foundations’. For this reason, she feels it’s important to move beyond it and to reclaim the notion of philanthropy in a positive way, and ‘not to reduce it to the idea of social investment’. ‘The concept of philanthropy has been somehow left to die as if social investment was the real thing,’ agrees Ana Valeria Araujo, executive director of the Brazil Human Rights Fund.

The key issue for Hopstein and Araujo is grantmaking and supporting civil society. GIFE’s members – mainly corporate and family foundations – mostly use their resources to carry out their own programmes. By contrast, the independent social justice funds and community philanthropy organizations

that are members of the Philanthropy Network for Social Justice all make grants to NGOs. So they want to reclaim the concept of philanthropy to describe their work and to associate it with grantmaking. 'For them it's the right term,' says Hopstein.

But Zacchi doesn't see social investment in this limited way. 'When GIFE talks about social investment, we use the term to mean using private resources for promotion of the public good,' he says – a definition of philanthropy that is often used in Anglo-Saxon circles. This includes giving by individual citizens and by the full range of institutional donors ('either developing their own projects or working alongside other CSOs or making grants to CSOs') and impact investing ('working within markets for the public good'). 'I see the promotion of all this as within GIFE's remit,' he concludes. He agrees that GIFE associates aren't currently doing as much grantmaking as they could be, but points out that this has been one of GIFE's main messages in the last few years. He mentions that GIFE has just formed an affinity group focusing on grantmaking practice – of which more later. For Zacchi one positive way forward would be to 'have the two terms as interchangeable, disputing the idea of philanthropy as pejorative'.

Hopstein recognizes that GIFE is changing perspective. 'They want to promote a culture of donations,' she says, and they're actively promoting this with their members – though they're not using the term philanthropy. 'The distinction between social investment and philanthropy is really a local discussion.'

There is a third term in use in the Brazilian philanthropic scene. People promoting giving by ordinary individuals are using the term *doação*, meaning donation/giving. There is the *Movimento por uma Cultura de Doação* (Movement for a Giving Culture) and the *Dia de Doar* – day of giving. Giving is not a pejorative term like philanthropy, says Hopstein, and these are important initiatives, but they are 'still very weak'.

### *Philanthropy and civil society*

It is also important to distinguish between philanthropy and civil society more broadly. Legally speaking, there are two types of civil society organization in Brazil, foundations and associations. While foundations are created by donations or in rare cases by an endowment, NGOs are associations, generally the recipients rather than the givers of donations. But just to confuse things, the independent social justice funds (members of the Philanthropy Network for Social Justice) are legally associations (except for the Brazil Human Rights Fund, which is a foundation). Some family foundations and corporate institutes are also associations. 'What determines the specific mission and role of a not-for-profit, non-governmental association are its bylaws,' explains Ana Valeria Araujo. 'That is where the specific purpose,

governance, etc, are detailed, which in turn determines if an organization is an operating NGO, a thematic or family funding structure, a community foundation, a neighbourhood association and so on.'

For José Marcelo Zacchi, the more important issue is whether foundations are seen as part of civil society. 'We used to talk as if social investment was not part of civil society; we are part of it and should be able to play our role in it.' Increasingly, GIFE's Congress brings together NGOs as well as foundations, he says. While enterprises, institutes and foundations accounted for 55 per cent of delegates to the 10th Congress, held in April 2018, 34 per cent were NGOs, with associations, media and universities making up the rest. Zacchi sees these figures as 'very encouraging of the idea that foundations are part of civil society'.

When this paper talks about philanthropy, it uses the term in a broad sense to include all kinds of giving/contributing for social causes, from giving by ordinary individuals to giving by all sorts of institutions and impact investing.

## IS THE FIELD GROWING?

At the first Brazilian Philanthropy Forum, held in November 2012, Fernando Rossetti, then secretary general of GIFE, spoke of a 'philanthropy boom' in the country. He also noted a sophisticated industry growing up to support this growing field. GIFE itself was formed in 1995, while IDIS, the Institute for the Development of Social Investment, was established in 1999. Since 2011, Brazil has hosted WINGS – Worldwide Initiatives for Grantmaker Support.

Fast forward five years – years that include the severe political and economic crisis that hit Brazil in 2014, not yet resolved, which has undoubtedly affected Brazil's philanthropy sector in many ways – and Rossetti's assessment might not have been so positive. The sector may be growing, but it is 'crawling', says Graciela Hopstein, 'though it's true we've made some qualitative improvements and there are some interesting initiatives and new trends. Compared to Mexico, we are doing less well. Though Brazil is a very important economy, philanthropy is less important here; it's low-intensity. We need to strengthen the field,' she concludes.

The reason for this, says Amalia Souza, founder of CASA Socio-Environmental Fund, is that philanthropy is less understood by society as a whole. 'Mainstream society understands "philanthropic institutions" to mean organizations like hospitals, churches and universities that are on the receiving end of donations,' she says. 'People prefer to make small in-kind donations to neighbourhood causes or disaster relief, and are still afraid to put their money into an institutionalized funding structure.'

She feels that the ambiguity of terms used in Brazil may also have led to a degree of misunderstanding among international players about the state of Brazilian philanthropy. GIFE, she argues, has become the most visible element of Brazil's philanthropic infrastructure as far as the international philanthropic community is concerned and 'has substituted the way it describes the work of its members from philanthropy to private social investment'. But, as we have seen, GIFE'S members mostly don't make grants to NGOs. 'I believe this high international visibility, coupled with this misunderstanding about what GIFE's members do, has led to the belief that philanthropy – in the Anglo-Saxon sense of making direct grants to NGOs – is actually booming.'

Ana Valeria Araujo also mentions the lack of understanding of philanthropy in Brazil. 'The idea of philanthropy as a political player is pretty well unknown to those who are not in the sector, she says. 'Society in general understands NGOs working on causes, but it doesn't see philanthropy as an actor in this field – nor does it understand the relevance of civil society itself as a fundamental player to expand and consolidate democracy. It is hard to explain to an ordinary person what we do and why it matters. But we need to start working to change this.'

It does also depend which part of the sector you're talking about. In the last years corporate philanthropy has grown to some extent, Hopstein admits, 'though having a network of 140 members [GIFE] hardly represents a boom!' But the independent social justice funds and community philanthropy organizations, which have been particularly badly affected by the political situation, have a long way to go, and family foundations are only now beginning to get off the ground.

José Marcelo Zacchi sees gradual, incremental growth rather than a boom. 'While it's possible to talk about a boom from the late 1980s to the late 1990s, from that point on I see a more incremental, gradual growth, with more progress in some dimensions, less in others, but always moving forward. Civil society has deepened, with more long-term, structured institutions developing, while foundations are going through a process of becoming more permanent, with better governance and management, and also more connected with civil society, the public sector and the academy.'

The challenge he sees now for philanthropy and civil society is to develop 'new agendas and new ways of working together, deepening and improving democracy and universal citizenship, universal rights and opportunities, and sustainable, shared, inclusive development – and this was the focus of the recent GIFE Congress. We have made a lot of progress towards these goals

over the last 30 years, but we should be aware of what we haven't done and find ways to go ahead. This is the moment we are in right now.'

The overall growth of the sector since the introduction of democracy in 1985 and economic liberalization is borne out by Joan Spero's 2014 report, *Charity and Philanthropy in Russia, China, India and Brazil*,<sup>1</sup> which notes that 64 per cent of private foundations in Brazil were created after 1980, and 48 per cent in the 1990s. The whole of the non-profit sector (that is, NGOs and foundations) almost tripled between 1985 and 2006, reaching almost 270,000 associations and foundations. Figures from NGO association ABONG show a rise from 290,700 NGOs in 2010 to 391,000 in 2014,<sup>2</sup> while more recent estimates suggest an even higher figure.

### *A sector that is not fulfilling its potential*

While philanthropy in Brazil is growing, it has yet to fulfil what most observers see as its full potential. In a PhilanTopic blog written in 2014,<sup>3</sup> Paula Fabiani, CEO of IDIS, says that the growth in philanthropy has not been proportional to the country's increasing wealth. In 2017, Forbes magazine identified 43 Brazilian billionaires,<sup>4</sup> the eighth largest number in the world.<sup>5</sup> Donations tend to go to well-established organizations and more visible causes, leaving NGOs, especially those working in the area of social change, dependent on funding from overseas donors and the government. Both of these sources are drying up, with overseas donors withdrawing from what they see as a middle-income country and a conservative government cutting back on spending on welfare. Domestic foundations tend to run their own programmes and NGOs are now realizing the need to try and engage a largely untapped well of individual donors. A number of initiatives are under way to try to do this and new forms of giving are opening the way for more creative approaches to philanthropy.

Before the large potential of individual donations can be realized, however, a number of obstacles need to be overcome. First, the widespread reluctance to give to NGOs must be overcome. This is partly a matter of public mistrust of the NGO sector and partly that the work and the value of NGOs needs to be more visible. Second, legislation is needed to encourage a more active culture of philanthropy. In particular, instead of penalizing donations by imposing a tax

<sup>1</sup> Joan Spero (2014) *Charity and Philanthropy in Russia, China, India and Brazil*, WINGS/Foundation Center: <http://foundationcenter.issuelab.org/resource/charity-and-philanthropy-in-russia-china-india-and-brazil.html>

<sup>2</sup> <https://mapaosc.ipea.gov.br>

<sup>3</sup> Paula Fabiani, 'Philanthropy in Brazil: An insider's view', PND *PhilanTopic*, 2 July 2014: <http://pndblog.typepad.com/pndblog/2014/07/philanthropy-in-brazil-an-insiders-view.html>

<sup>4</sup> <https://exame.abril.com.br/negocios/os-43-mais-ricos-do-brasil-em-2017-pela-lista-da-forbes>

<sup>5</sup> [https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_the\\_number\\_of\\_billionaires](https://en.wikipedia.org/wiki/List_of_countries_by_the_number_of_billionaires)

on them, incentives should be introduced to stimulate donations, both large and small.

Finally, Brazilian foundations have a part to play. The fact that most of them are mainly operating rather than grantmaking does nothing to promote or develop the capabilities of the NGO sector. In these circumstances, a vicious circle can be created: foundations don't give to NGOs because they don't have confidence in them. As a result, the NGOs remain underdeveloped and continue to exhibit all those traits which prevent foundations from investing in them. José Marcelo Zacchi sees a multifaceted role for GIFE here, expanding its membership, encouraging its associates to do more grantmaking, and promoting increased collaboration both among foundations and between foundations and other civil society actors, the public sector and the academy.

### *An international perspective*

Seeing Brazilian philanthropy in an international perspective helps to illustrate why most observers agree that it is still punching below its weight. First, donations by individuals amounted to the equivalent of 0.23 per cent of GDP in 2015. The comparable figure for the US is 1.44 per cent. Second, while Brazil's standing in Charities Aid Foundation's (CAF's) 2017 World Giving Index<sup>6</sup> marks a significant improvement over previous years, 75th out of 139 is still fairly modest. Only 21 per cent of Brazilians had given money to a charity in the month prior to the report, while the figure for the top-ranked country, Myanmar, was 91 per cent.

### *Withdrawal of foreign donors*

In common with many emerging economies, Brazil has seen a dramatic reduction in giving from overseas as donor attention moves elsewhere. According to a 2006 McKinsey report<sup>7</sup> cited by Paula Fabiani, the total amount of dollars sent from US donors to Brazilian civil society organizations fell some 70 per cent between 2002 and 2006. Andre Degenszajn, executive director of Instituto Ibirapitanga, a private grantmaking foundation recently established by Brazilian filmmaker Walter Salles, also notes that, around this time, 'international foundations began to see that Brazil should be able to develop its own sources of funding for its civil society, so many pulled out. Kellogg and MacArthur, who had been very active in Brazil for many years, are no longer supporting organizations in the country' – though Kellogg is still supporting the Baobá Fund for Racial Equity. In Graciela Hopstein's view, this withdrawal is premature and damaging to the sector, as will be discussed below.

<sup>6</sup> CAF, *World Giving Index 2017*: [www.cafonline.org/docs/default-source/about-us-publications/cafworldgivingindex2017\\_2167a\\_web\\_210917.pdf?sfvrsn=ed1dac40\\_10](http://www.cafonline.org/docs/default-source/about-us-publications/cafworldgivingindex2017_2167a_web_210917.pdf?sfvrsn=ed1dac40_10)

<sup>7</sup> [http://mckinseyonsociety.com/downloads/reports/Social-Innovation/Relatorio\\_Filantropia.pdf](http://mckinseyonsociety.com/downloads/reports/Social-Innovation/Relatorio_Filantropia.pdf)

## ABOUT THE REPORT

This report is one of a series being produced by Philanthropy for Social Justice and Peace (PSJP) on the current state of philanthropy in a number of countries or regions. The first three of these, on philanthropy in India, in Russia, and in the Arab region, have been published recently.<sup>8</sup> Like the other reports, this is not a full-scale statistical survey of Brazilian philanthropy, which would be impossible given the paucity of data; still less is it a once-and-for-all summing up. Instead, it aims to throw light on current developments in, obstacles to, and possibilities for philanthropy in Brazil, especially highlighting innovations and new initiatives. This has been done partly through looking at existing research, but mainly through a series of conversations with people who have been trying to promote, support or strengthen different areas of philanthropy in the country.

The areas covered include various forms of giving by the wealthy, including corporate philanthropy, family foundations and impact investing, social justice philanthropy, community philanthropy, and giving by ordinary individuals.

Before looking at any of these specific areas, however, we will look at the political situation in Brazil, which is the background against which all developments in philanthropy are unfolding, and how this situation is affecting the different parts of the philanthropic sector.

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<sup>8</sup> <http://www.psjp.org/the-role-of-philanthropy-in-society-2>

## HOW IS THE POLITICAL SITUATION IN BRAZIL AFFECTING THE PHILANTHROPIC SECTOR?

### THE CURRENT POLITICAL SITUATION

In March 2013, Dilma Rousseff, then president of Brazil, boasted 65 per cent approval ratings, higher than her predecessors Luiz Inácio Lula da Silva and Fernando Henrique Cardoso during the same periods in their governments. Brazilians were optimistic about the economy and the purchasing power of their salaries. Just three months later, mass nationwide street protests took place, ‘sweeping up an impassioned array of grievances – costly stadiums, corrupt politicians, high taxes and shoddy schools – and spreading to more than 100 cities ...’<sup>9</sup> Rousseff’s popularity plummeted some 27 points.

The following year, Brazil voted in a very conservative Congress. By 2016, this Congress had ousted Dilma Rousseff, who was impeached for allegedly moving funds between government budgets, which is illegal under the country’s constitution. While *Intercept* journalist João Filho and others refer to the impeachment as ‘a parliamentary coup’,<sup>10</sup> many believe that it was legal and complied with due process of law – thus exposing a very polarized country. The Brazilian Democratic Movement Party – Rousseff’s erstwhile ally, then joined forces with the opposition Brazilian Social Democracy Party and formed a government ‘more conservative than any we have seen in recent times’, according to Filho.<sup>11</sup>

Rousseff was succeeded by her deputy, Michel Temer, whose tenure of office has been dogged by allegations of corruption. A few months after he took office, six of his ministers were forced to resign because of their involvement in corruption scandals. In a single administrative act, he shut down the special secretariats of Human Rights, Racial Equality, Youth, and People with Disabilities, which had ministry status – and represented significant achievements of society in terms of human rights.

In 2018, Brazil faces a deteriorating political situation with corruption being endemic in most parties. Elections will take place in October. The two main candidates are former president Lula, now facing a 12-year prison for

<sup>9</sup> Simon Romero And William Neuman, ‘Sweeping Protests In Brazil Pull In An Array Of Grievances’, *New York Times*, 20 June 2013: <http://www.nytimes.com/2013/06/21/world/americas/brazil-protests.html>

<sup>10</sup> João Filho, ‘A Reactionary Wave Points to a Dark Future for Brazil’, *The Intercept*, 5 October 2017: <https://theintercept.com/2017/10/05/brazil-reactionary-politics-election-bolsonaro>

<sup>11</sup> Ibid.

corruption, and congressman Jair Bolsonaro, who is campaigning on an extreme right-wing agenda. In the meantime the country continues to face a deep backlash, with Congress now attempting to amend the constitution to re-criminalize all abortion, art exhibitions becoming the target of moralistic outrage and boycott, and a federal intervention taking place in Rio, with the military taking control of security. The recent assassination of Marielle Franco, a Rio de Janeiro city representative, who was very active in defending human rights, has shocked Brazil and the rest of the world, exposing a routine of violence and conflict that has long prevailed in the country.

Unfortunately, Brazilians don't seem to expect that this conservative wave will stop any time in the near future.

## HOW IS THIS AFFECTING PHILANTHROPY IN BRAZIL?

What follows is based on what contributors to this report have said. In some cases they asked that their comments should not be attributed to them – a sign of the climate of fear prevailing among some of those working in the philanthropy sector in Brazil.

Contributors' comments vary greatly according to the area of philanthropy they are talking about. While some say the political crisis has had no effect on their work, at the other end of the spectrum others find themselves working in a hostile and dangerous environment. Still others suggest positive ways in which philanthropy could rise to the occasion and respond to the crisis.

### *Effects on individual giving*

It is received wisdom that NGOs being involved in corruption scandals has a big impact on the culture of donations, damaging the sustainability of NGOs. 'There is an economic crisis of course,' says Graciela Hopstein, 'but there is also a problem of confidence. Few people in Brazil believe that donating to NGOs is important to strengthening democracy. They may donate for political campaigns or charity not for social transformation or human rights.' 'People don't see the link between NGOs and fundamental rights that Brazilians currently have,' says Ana Valeria Araujo, 'because there is no recognition of the years of social struggle before legislation is actually voted or public policies implemented.'

João Paulo Vergueiro, executive director of ABCR – Brazilian Association of Fundraisers, agrees with Hopstein that donations do get affected if there are scandals of compliance or even corruption within NGOs ('I would say that trust plays a role much bigger than most of our political issues right now'), but he doesn't feel the political situation has affected individual giving. Speaking from the perspective of someone promoting fundraising from ordinary individuals, 'I

don't think it affects it at all,' he says. 'As I see it, the gap between the potential of philanthropy in Brazil and the size it is right now is so big that even the economic crisis, which hopefully we are finally leaving behind, hasn't affected the sector. There is just so much space to grow that any real efforts in that direction will bring real outcomes that won't be affected by economic or political issues.'

Vergueiro denies being over-optimistic or unrealistic: 'I have seen almost all non-profits that invest in individual giving growing in the last 5 or 10 years without being affected by those issues at all. They were affected by banks' changes to the way people can donate money, but not because they didn't have money to give: there's a lot of room for giving to grow in Brazil before that actually happens. The philanthropic sector in Brazil is quite small,' he continues, 'and in general is not seen by our political leaders or media players. So people know little about it and I don't feel it really gets affected because we had a president that was removed from office.'

### *Effects on funding for NGOs*

Part of the context for NGOs today is shrinking government support for social welfare – a trend that started under Rousseff's government due to the economic recession and the increasing government deficit. 'Congress has passed a law that establishes a limit for government investments in different areas for the next 20 years,' says Ana Valeria Araujo. 'From next year, changes can only be authorized by the president. The budget will be limited to the budget of the previous year and cannot exceed the rate of inflation for 20 years, so Brazil is entering a period of very little public spending on health and education and spending is low already.'

The direct effects on civil society funding are not disputed. 'The economic and political crisis has affected the third sector in many ways,' says Paula Fabiani. 'Government has reduced investments in health and education and has a more conservative approach to human rights and other more controversial agendas. Moreover, government has reduced financing for NGOs dramatically,<sup>12</sup> and companies have reduced financing for NGOs as well.' Andre Degenszajn agrees that 'companies have less money and government is restricting collaboration with civil society (due to political and budget issues)'. He notes that GIFE's members recently experienced a drop in their median annual budget of 14 per cent on average.<sup>13</sup> Lucia Dellagnelo, president and CEO of the Center of Innovation for Brazilian Education – CIEB, sums it up: 'The mistrust in government is affecting the whole society, and is

<sup>12</sup> <https://mapaosc.ipea.gov.br/dados-indicadores.html>

<sup>13</sup> <https://gife.org.br/censo-2016-keyfacts/overview.html>

badly hurting NGOs that used to receive most of their funding from the government.'

Ana Toni, executive director of the Institute for Climate and Society (iCS), laments this loss of funding. 'With the political situation in Brazil deteriorating rapidly, we need strong and independent civil society groups more than ever, and unfortunately most national philanthropic organizations are not funding them.

'NGOs are not the problem,' she says. 'The great majority of them use public and private resources very effectively. Funding or not funding NGOs is a choice made by national philanthropic organizations, and unfortunately most of them have decided not to fund civil society but to operate their own projects. While previously philanthropic organizations used as an "excuse" that they were not convinced about how effectively NGOs make use of philanthropic resources, now that we see every day on television the widespread corruption scandals affecting government officials, parliamentarians and private sector representatives, it is clear that the problem is not related to NGOs.

'It is not only the amount of money for social causes that is diminishing,' she says. 'The uncertainty of the whole political situation is making it difficult for NGOs to orientate themselves. I would say at the moment it's hard to operate because you don't know what is the best strategy, and the players are changing very fast.' As politics in Brazil has reached an impasse, this has produced a 'wait-and-see' approach among NGOs, she concludes.

### *Effects on investors*

The increasing control from the government is also affecting donors' activities, says Paula Fabiani. 'They are becoming even more careful (and more diligent with NGOs) and can also face fiscal interventions from the government when they benefit from incentives.'

Daniel Izzo, co-founder of impact investing firm Vox Capital, says there hasn't been as much progress in the impact investing field as he had hoped for in the last few years, 'mostly because we've been through a very deep political and economic crisis since 2014. The economy is now improving but the political side not yet. Many initiatives that would have begun during these years didn't happen because people couldn't raise money – political and economic uncertainty makes people cautious; they batten down and wait for things to get better. Entrepreneurs feel it's not the right time to invest, they want to hold on to their jobs. Investors want less risky options. Intermediaries like Vox are not able to fundraise.'

### *The political environment and the challenge to social justice funders*

Graciela Hopstein reminds us that there is more at stake than the survival of NGOs. 'We are living in a serious political crisis which affects the democratic system. We are concerned about the threat to human and citizenship rights,' which, she feels, entails 'the risk of losing the historic achievements of recent years'.

'For those involved in promoting rights, we are living in a terrifying moment,' she says. 'The presidency is illegal, and the human rights ministry has been abolished. We are seeing the criminalization of social movements and NGOs. Being a lesbian or a human rights defender is dangerous. We are seeing attacks in social media, and even physical attacks, murders of human rights defenders.' Land rights and environmental activists are coming under increasing threat of physical harm. Global Witness records 207 killings of environmental activists in the period 2010-15, with 50 in 2015 alone, the highest figure of any country in the world.<sup>14</sup> In its 2017 report Brazil continues as number one in assassinations of land and environmental activists, with 46 deaths out of 197 globally – 'and it must be remembered that these numbers are grossly underestimated,' says Ana Valeria Araujo. According to IPEA (Institute of Applied Economic Research), for every 100 homicides committed in Brazil, 71 are black, and most of them are between the ages of 15 and 29.<sup>15</sup> The same research shows that between 2005 and 2015, women's homicides increased by 7.5 per cent, with an average of 385 women killed per day.

In these circumstances, members of the Philanthropy Network for Social Justice are coming under increasing pressure to expand their support for groups and individuals working in an increasingly perilous situation.

### *Women's rights under attack*

Born-again Christians and fundamentalist Catholics in Congress work together against women's rights, especially against feminists. They are against gender equity (which they call gender ideology). Since the re-introduction of democracy in Brazil feminists inside Congress have worked for policies for women's rights and some laws were passed that were important for women in Brazil. But the present conservative Congress has started to persecute those who support gender equity and gender identity and LGBTQ issues. Since 2014 it has become more difficult for teachers to talk about sexuality, identity and equal rights in schools.

<sup>14</sup> [www.globalwitness.org/en-gb/campaigns/environmental-activists/dangerous-ground](http://www.globalwitness.org/en-gb/campaigns/environmental-activists/dangerous-ground)

<sup>15</sup> <https://www.cartacapital.com.br/sociedade/atlas-da-violencia-2017-negros-e-jovens-sao-as-maiores-vitimas>

In November 2017, Judith Butler, an American philosopher and gender theorist and author of a book called *Gender Trouble*, came to São Paulo, where she was heckled by street protestors and burned in effigy. She writes of this experience: 'My sense is that the group who engaged in this frenzy of effigy burning, stalking and harassment want to defend "Brazil" as a place where LGBTQ people are not welcome, where the family remains heterosexual (so no gay marriage), where abortion is illegal and reproductive freedom does not exist. They want boys to be boys, and girls to be girls, and for there to be no complexity in questions such as these. ... Indeed, they reminded us at the conference why we were right to worry about the state of democracy.'<sup>16</sup>

ELAS Fund, which supports women's rights, has been directly affected. Take their support for LGBTQ issues. They supported these issues directly from 2008 to 2011, but after that they couldn't find funds to support their programme so they provide support in conjunction with other issues, like violence against women or women's entrepreneurship. Now they have started to look for funds again. In February 2018, they evaluated over 150 proposals and are supporting 10, with a new anonymous donor from outside Brazil. However severe the backlash, the work of women's organizations will continue.

### *Structural racism*

After a huge struggle on the part of the black movements, in March 2003, during President Lula's first term, the ministry-level Secretariat of Policies for Promotion of Racial Equality of the Presidency was established. During the same period, the National Policy for the Promotion of Racial Equality was adopted, along with several other public policies. 'Closure of the government ministry for racial equality was a huge problem,' says Selma Moreira, executive director of the Baobá Fund for Racial Equity. 'In Brazil we need such bodies because as a society we have a problem in facing racism. Having a specific agency in the government gave us a specific place to look at problems and solutions. We don't have this any more – which is a loss for civil society.'

We have huge numbers of young black people being murdered and suffering from the violence, says Moreira. 'We have also been facing many social media attacks against ordinary people and famous people who are activists, journalists, artists. These come from people who are no longer afraid to express their hatred, who are brave when they have a computer in front of them. It's easy to be haters in the virtual space, and there are no consolidated laws to address this kind of crime. Losing space in the government gives a

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<sup>16</sup> Scott Jaschik, 'Judith Butler On Being Attacked In Brazil', *Inside Higher Ed*, 13 November 2017: <https://www.insidehighered.com/news/2017/11/13/judith-butler-discusses-being-burned-effigy-and-protested-brazil>

wrong message that black people don't matter.' She mentions a black woman who was promoted from working in São Paulo to working for a national journal. 'She started to receive attacks on her Facebook page – you're a monkey, too ugly, not smart enough, etc. This kind of attack has started to become more common.'

Baobá itself has suffered direct consequences of the deteriorating political environment. It has become more difficult to find companies that want to work with them, Moreira reports. 'Many companies faced with economic difficulties are firing people and put social issues at the bottom of their list. This isn't smart in my opinion; it should be the moment to support society. Fewer companies are open to discuss social investment in racial equity.'

This is ironic, she points out, because diversity has become a big issue in marketing. 'There are people saying, "if I can't see myself in that company, if I can't see a special shampoo for my curly hair, I won't buy from that company." Companies are moving to meet the demands of black people, especially with make-up and hair products, but it doesn't mean that the same companies are open to discussing becoming social investors or partners with civil society in order to promote a better society for everyone. I hope some time it will happen but at the moment movements in terms of marketing are not matched by willingness to address social issues.'

Many people working for the re-introduction of democracy went to work in the field of philanthropy, says Amalia Fischer, executive director of the ELAS Fund. 'Philanthropy in Brazil was moving towards supporting civil society, grantmaking. We were developing philanthropy for social justice and human rights within the country. But that doesn't look possible now. There are a lot of good intentions from corporations, foundations and individuals but the context isn't helping and that hurts a lot.'

## **POSITIVE EFFECTS ON PHILANTHROPY?**

As mentioned above, some see potentially positive effects as well. The political situation might change the dynamics of resistance within civil society, says Andre Degenszajn. 'But philanthropy in Brazil is not particularly sensitive or responsive to civil society and tends to establish its own course – which is precisely one of its greatest problems. If the philanthropic sector were more responsive, we might expect it to redirect more of its resources to civil and political rights, to safeguarding democratic values, to curbing the efforts to restrict civil liberties. But it is very unlikely that we will see such a shift in the near future – unfortunately.'

Paula Fabiani also notes an increasing interest in mobilization and participation in Brazil. 'Philanthropic organizations and philanthropists are part of this debate and may organize themselves to be part of such a potential force for change in the country. The recent GIFE Congress was about democracy, and there were some interesting innovative initiatives to promote a more democratic agenda.'

In Lucia Dellagnelo's view, this sort of thing is already happening. 'The new fact is that philanthropic money is openly being used to identify and train a new generation of political leaders. Organizations such as RAPs, RenovaBr and Agora! are raising money from big philanthropists to stimulate new candidates committed to ethics and social causes. So it would be fair to say that philanthropic money is being invested in what was seen before as the risky and messy business of politics.'

On a more practical level, diminishing state support for social welfare is an impediment to the development of the third sector, but it may well also prove a stimulus to the development of philanthropy. As the Brazilian public become more aware of the need to support welfare provision, NGOs will have to become more creative in seeking support. Ana Toni sees the fact that circumstances are forcing NGOs to look for public support as positive, because the benefits are likely to be more than financial: 'It's welcome that we have to go to the public and ask for resources because when you have to do that it's not purely a financial transaction; it's an engagement transaction where you get people to understand the work NGOs are doing and that not every NGO is linked to a politician. So it's an important engagement, difficult but important, that we have to go through.'

## WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN BRAZIL?

### FOUNDATIONS IN BRAZIL

As Joan Spero's report, cited above, indicates, the Brazilian foundation sector has grown rapidly following the establishment of democracy – though endowed foundations tend to be few because of unfavourable legislation (see below). A partial indication of the current size of the sector is afforded by GIFE's membership, which stands at 137. It is GIFE, too, which provides the best picture of institutional giving in Brazil, through its periodic survey, the GIFE Census. The latest, 2016, Census<sup>17</sup> records a total of USD830 million (around BRL2.7bn)<sup>18</sup> invested by participating organizations (116 out of the organization's 137 members).

A glance at the make-up of organizations in the GIFE Census shows the dominance of companies in Brazilian institutional philanthropy. Out of the 116 organizations participating in the Census, 53 per cent were corporate foundations/institutes, 18 per cent businesses, 17 per cent family foundations/institutes and 12 per cent independent funds or community foundations. In short, concludes Andrés Thompson, 'when we talk about institutionalized philanthropy we are practically talking about business money.'<sup>19</sup>

This isn't surprising considering GIFE's history. While its founding in 1995 was part of a process to promote active citizenship and make democracy work, GIFE was also part of the private social responsibility movement, José Marcelo Zacchi explains, 'promoting the social responsibility of companies both through adopting appropriate social and environmental practices within its direct activities and through social investment. So at its founding moment GIFE was a network of corporate foundations and institutions and companies, the aim being to improve their relationship with society.'

According to the Census, top priority causes for institutional philanthropy were education (a whopping 84 per cent), youth development (60 per cent) and arts and culture (51 per cent). Interestingly, 47 per cent of respondents cited the environment as an area of investment and 43 per cent mentioned human rights. These figures of course do not say *how much* respondents invested in

<sup>17</sup> GIFE Census 2016, *Key facts on Brazilian social investment*: [https://gife.org.br/censo-2016-keyfacts/assets/pdf/censusgife2016\\_keyfacts.pdf](https://gife.org.br/censo-2016-keyfacts/assets/pdf/censusgife2016_keyfacts.pdf)

<sup>18</sup> All currency conversions are based on xe.com currency conversion website.

<sup>19</sup> Andrés Thompson (2016) *Notes on Social Justice Philanthropy in Brazil*.

these areas, but the percentage who said they made some investment in them.

### *The growth of family foundations*

Both Ana Toni and Paula Fabiani note the emergence in the last few years of an increasing number of family foundations. Driving this tendency, feels Fabiani, is the fact that ‘we have lots of families with wealth, because they sold their businesses to international companies or floated them publicly’. Jorge Paulo Lemann, Ana Maria Diniz, Maria Alice Setubal and José Roberto Marinho have all created their own family foundations, as well as investing their money in other organizations that support the causes they are interested in. For example, says Lucia Dellagnelo, Ana Maria Diniz created Instituto Peninsula (the Diniz family foundation) as well as funding a teachers college called Singularidades in line with her interest in improving education. Jorge Paulo Lemann is probably the main Brazilian philanthropic funder of education, she says, but the Lemann Foundation also funds entrepreneurs who create educational technologies and alternative low-cost schools (some for profit).

With one or two exceptions, says Fabiani, these emerging family foundations are inclined to be conservative. ‘They are afraid of too much exposure for security reasons, but also because of the effect on their image, so they are really afraid of dealing with the government, of political issues.’ She notes Instituto Alana, which is working to prevent marketing aimed at children, which means going up against formidable corporate interests. There is also Guilherme Leal, a donor and a businessman, who is one of the country’s most progressive philanthropists, while Fundação Tide Setubal is active in the promotion of social justice and the sustainable development of peri-urban areas, especially in São Paulo. Fundação Tide Setubal was created in 2006 to redefine and continue the work of Tide Setubal as first lady of São Paulo.<sup>20</sup>

But growing wealth and volatile circumstances may combine to produce change. Ana Toni notes that, spurred by the political environment, the issue of transparency is finally being debated. ‘Some philanthropic organizations have realized that with what is happening in Brazil, with corruption and so forth, they can no longer not be transparent.’ Fabiani believes that, prompted by ‘the political, moral and economic turmoil we have been living through in the last years, HNWI’s are increasingly engaged in causes’. However, so far, ‘it’s engagement, but not financial involvement – people aren’t giving more.’

<sup>20</sup> [http://fundacaotidesetubal.org.br/quem\\_somos/missao\\_visao](http://fundacaotidesetubal.org.br/quem_somos/missao_visao)

### *Lack of grantmaking foundations*

Most Brazilian institutional donors are not primarily grantmakers. According to the GIFE Census, 57 per cent of organizations do some grantmaking, but only 16 per cent are mainly grantmakers, while 43 per cent invest only in their own projects. However, the distinction between running your own programmes and grantmaking isn't clear cut, says José Marcelo Zacchi. Most foundations in the GIFE network have a mix of approaches, he says, and they may connect with civil society in different ways. 'They don't just develop their own projects, hire people and work as organizations in the field; they also subcontract other organizations to implement the methodology developed by them, or work side by side with other organizations in designing and implementing projects. There is an intermediate space here that should receive more attention.'

The classic reasons advanced for operating programmes rather than grantmaking are mistrust of the NGO sector (both its capacity and its probity) and a desire for direct control. Andre Degenszajn notes that 'foundations tend to be focused on controlling everything around their programmes, sharing little power with other organizations. That's reflected in the low level of grantmaking, and the need to evaluate everything.' Ana Toni points out another reason: 'if you make a donation you have to pay around 4 or 5 per cent tax on it, so there is no tax incentive. In fact you have to pay a premium.'<sup>21</sup>

The low level of grantmaking also has historical roots. GIFE, IDIS and, most recently, family foundations have to some extent evolved from the 1980s 'business for social responsibility' movement, says Amalia Souza. 'Though companies were beginning to mobilize resources to invest in society, there was no culture of "direct grants", so most companies developed structures to operate themselves using their own resources.'

Whatever the reason behind the reluctance to make grants, it is perceived by most informants as a weakness, since it further undermines the development of the NGO sector. Toni notes that 'more grantmaking could foster a more independent civil society and more oversight of the government and private sector, so a stronger democracy'. Amalia Souza endorses this. 'It is important to build capacity in civil society to find its own solutions, and to do that, it is necessary to trust CSOs, to actually put resources in their hands to develop their own projects and ideas. This builds confidence and experience like nothing else.'

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<sup>21</sup> The premium on donations is constant throughout Brazil, though the amount varies from state to state, between 4 and 8 per cent.

Brazil's Philanthropy Network for Social Justice provides the exception to the tendency for foundations to operate their own programmes as all its members use grantmaking programmes to pursue their social justice purposes. Community philanthropy organizations are also grantmakers.

Zacchi sees the lack of grantmaking as a challenge, but feels things are improving. 'The good news is that the recent Census showed a majority declaring the intention of moving towards grantmaking in the next few years,' he says, and an affinity group on grantmaking practice was formed at the recent Congress. 'We have been making the point about the need for more grantmaking and now it's about creating spaces to focus on the nuts and bolts of grantmaking practice.' This will involve bringing together GIFE associates and those that already do grantmaking, including international foundations like Ford and OSF which have regional offices in Brazil. Family foundations established in recent years tend to be more orientated to grantmaking than in the past, says Zacchi, and GIFE is aiming to promote the establishment of new grantmaking foundations.

### *The Sustainable Development Goals (SDGs)*

A large, though often imponderable, factor in the international development landscape is the launch of the Sustainable Development Goals (SDGs). Their effect on Brazilian philanthropy is difficult to make out at the moment. Most interviewees feel the response of Brazilian philanthropy so far has been very limited. The SDG Platform was launched in Brazil in April 2017, but many of the interviews took place before then, so respondents' remarks should be read in the light of this. However, it may be that they still hold true since the effect of the platform's launch has yet to be determined.

'I don't see a lot of change,' says Andre Degenszajn. 'There's a lot of discussion ... but I don't see institutions changing their strategies based on the SDG framework, I think they are just matching what they do with the SDGs.' He adds: 'I'm a little sceptical about philanthropy's contribution. I think the SDGs give too large a framework. When we had the MDGs, we had a sense of priority. When we evolved to the SDGs, everything became a priority, but I don't see them having a very strong impact on what philanthropy is doing.'

Ana Toni by and large agrees with this judgement: 'Obviously everybody knows about the SDGs, but they have not really helped reframe the work that philanthropy is doing.' She thinks this is regrettable because 'they would provide a very nice template for us to work together, and to show that environmental issues are related to social and economic issues, so what we see is much more from the government side and that's not a lot, rather than from philanthropy itself'. This view is not universally shared and developments

prompted by the SDGs are discussed below in the final section on the potential for philanthropy.

### *The continuing importance of international foundations*

As noted in the introduction, international funding, whether from bilateral aid agencies or from foundations, has been much reduced. Aid agencies from European countries like Norway, the Netherlands and Germany still have a role in Brazil, says Ana Valeria Araujo, as do USAID and the UNDP, but it's a much less significant one than in the past.

In some ways, she believes, international foundations, especially those based in the US, are still the most significant institutional players in Brazilian philanthropy, especially from the point of view of rights and justice-based funding. International funders still provide most of the funding for human rights and environmental advocacy issues. Racial equity, women's rights, etc, are areas usually avoided by domestic funders. She also notes the growing importance of the Open Society Foundations (OSF). They are new to Brazil but they now have an office in Rio de Janeiro with a Brazilian head who has a background in human rights.

Graciela Hopstein feels strongly that the exit of international philanthropy happened prematurely, causing a crisis in terms of resources. 'They thought Brazil was OK,' she says. 'with a strong economy and a stable democracy, but this diagnosis was not only wrong but rushed. Ford and OSF still play an important role but we need more international support to avoid a crisis in civil society. And international philanthropy has still got an important role to play in strengthening the culture of giving, and helping Brazilian civil society to find local resources. In my view,' she adds, 'the exit of international philanthropy was completely irresponsible.'

As a result, says Amalia Souza, 'Brazilian civil society has seen its previously conquered spaces diminish, while most organized civil society groups are struggling financially to keep up, and losing battles one after another.'

## **CORPORATE PHILANTHROPY**

The reason for the predominance of corporate foundations, according to Joan Spero, is that exposure to international notions of corporate social responsibility has combined with traditional paternalism: 'Many corporate leaders came to see corporate social responsibility as a way to address problems at home, gain favour with local communities and governments, improve the image of Brazilian business, enhance corporate branding, and improve the environment for business and their own business opportunities.'

In the wake of Brazil's re-democratization process, which began in the 1980s, says Anna Maria Medeiros Peliano, research coordinator for BISC – Benchmarking Survey on Corporate Social Investment, 'a new type of social and political activism has emerged, called by some "citizenship with initiative", anchored in the principles of participation and solidarity. The concept of the public sphere has been broadened beyond the actions of governments to encompass individuals, companies and other organizations. The theme of social investment was incorporated, with new contours, in the agenda of companies, and contributing to the solution of social problems came to be seen as a task of the business sector.' The founding of GIFE in 1995 was part of this process.

This understanding was captured through a national survey of companies published by IPEA in 2002 and again in 2006. According to the 2006 results, most respondents recognized a growing need for the private sector to help address social problems. While corporate action in meeting community demands should not replace government action, it was acknowledged that the state alone would not correct social inequities. 'Therefore, it was already recognized at that time that companies should go beyond their traditional responsibilities, namely to pay taxes, generate jobs and watch over the quality of their products or services.'

The prevalence of corporate foundations, suggests Fabiani, is likely to be at least partly to do with the fact that companies enjoy certain tax privileges, to take advantage of which many families have 'established their foundations in the company and they do their philanthropic activities through that foundation'.

The new understanding of the role of the business sector was reflected in practice, says Peliano: 69 per cent of companies surveyed in 2006, with one or more employees, voluntarily developed social actions for vulnerable communities. These ranged from occasional donations to well-structured projects. Recent surveys of large companies show steady growth. The Benchmarking Survey on Corporate Social Investment (BISC), released annually by Comunitas, shows the annual average invested by respondents in the period 2007-11 was BRL2.3 billion (around USD701m); in the last five years this average has risen to BRL2.8 billion (around USD854m). Recorded investments of around BRL2.4 billion (around USD732m) in 2016 represented 0.66 per cent of the gross profits of the companies participating in the survey – a figure that is close to that of North American companies participating in similar research by the Committee to Encourage Corporate Philanthropy (CECP).

Despite these advances, the recession in Brazil in recent years has caused a 19 per cent decrease in the volume of resources invested in 2016 compared to

2015. 'The political situation was also reflected in companies' strategy,' says Peliano. 'Partnerships with public organizations, fundamental for increasing the impact of social investments, for example, were hampered. Nonetheless, the group continues to focus on alignment and support for public policies. In 2017 56 per cent of BISC companies said they had strengthened relations with the federal government and 78 per cent with state governments in the last three years.

'It should be emphasized that these resources are eminently private, since in Brazil companies do not use tax incentives to finance their social actions,' says Peliano. According to the nationwide research published by IPEA in 2006, only 2 per cent of companies surveyed reported using tax incentives, and even among the biggest companies this percentage did not exceed 17 per cent.

### *What form does corporate social investment take?*

What form does all this social investment take? According to Rafael Gioielli of Instituto Votorantim, corporate philanthropy in Brazil takes two different approaches. The first, more traditional one is to make grants to support social projects with no connection to the business. Here there are two common strategies: either to support innovations that can then be adopted as public policy or to work in areas reinforcing existing public policy.

The second approach, he says, is to support projects that deliver a social impact but are in some way connected to the business. The connection with the business can be geographical (for example, the project benefits the communities where the company operates) or thematic/strategic (the social cause is related to the business, for example housing for a cement company or financial inclusion for a bank). 'The way companies support these social causes is broader than traditional grantmaking,' says Gioielli. 'In some cases we see companies using grants, impact investing, research and development, volunteering, and direct implementation of projects.' He emphasizes that, although he distinguishes two different approaches, they can be implemented together by the same company. 'Finally, I would say that corporate philanthropy, in the two approaches, is playing two roles. The first is related to delivering social impact (directly or by influencing public policy); the second is to generate a return to the company (brand exposition, community relations, R&D, etc).'

These more commercial considerations tend to militate against the development of a more strategic philanthropy. As Mariane Maier Nunes, chief executive of ICOM, a community foundation in Florianópolis in the south of Brazil, notes from her experience, 'companies still don't see philanthropy in a strategic way. They are driven by the individual motivation of the owner or

entrepreneur, who know little about the field but have great intentions of giving back to the community. We still have a long way to go in educating donors about the importance of strengthening CSOs.' Moreover, feels Paula Fabiani, since corporate foundations spring from a commercial progenitor, 'they are also more competitive, so there is always the branding issue – where is my logo going to be positioned? Corporations also tend to have more of a short-term view of things. Especially when you are talking about advocacy, human rights, systemic change – these are long-term investments.'

In practice, though, it can be hard to separate corporate from private foundations because the founding businesses and the foundations continue to be closely associated with the family or individual who set them up. The line between corporate and family foundations is not clearly drawn, says Ana Valeria Araujo, and she feels that this extends both to their attitudes and to the areas in which they fund: 'they get along well, they know each other well, and they have the same way of looking at things.'

### *Are companies supporting rights-based issues?*

Generally speaking, corporate foundations, which are the biggest, richest group of foundations in Brazil, do not support issues that social justice organizations deal with. As noted above, the preferred causes for institutional donors tend to be education, youth, and arts and culture.

There are exceptions, notes Araujo, but 'you can count on the fingers of one hand foundations supporting that kind of issue'. Both Avon and Instituto Unibanco have strong partnerships with ELAS Fund supporting women's rights, and Baobá has a number of partnerships with companies supporting specific issues around racial equity, as described in the section on 'Philanthropy for racial equity'.

CASA Socio-Environmental Fund has a partnership with the Caixa Economica Federal Socio-Environmental Fund (one of Brazil's three national banks), providing more than USD3 million (around BRL10.5 million) for community-based groups to develop sustainable environmental practices in forests and wetlands, in coastal and urban communities throughout the country. This approach attracted a third partner, Oak Foundation, which is using CASA's grantmaking structure to reach grassroots communities that are too small to access the resources of larger foundations.

This lack of funding for rights issues doesn't seem to square with the fact that 43 per cent of GIFE Census respondents, mainly companies, say they support human rights. 'One issue here,' suggests Andre Degenszajn, 'is that when people respond that they work with human rights, they might be assuming that if they work with "a human right" (such as education or health), even if not

using a rights framework or approach, they are in any case working with human rights. I feel that there is still a low level of understanding about what it means to work with human rights.'

### ELAS FUND PARTNERS WITH AVON AND INSTITUTO UNIBANCO

ELAS's work with companies involves much more than funding. 'We co-create the whole programme,' explains ELAS director Amalia Fischer, 'from designing the logo to developing the call for proposals to working out how evaluation will be done'. ELAS has started to use a collective impact approach in its work with Avon. 'This involves grantees, grantmakers and investors working together with the evaluator,' says Fischer.

Instituto Unibanco invests in education for girls. The programme developed with ELAS is called ELAS Nas Exatas (ELAS in the Exact) and its aim is to encourage girls to take up STEM subjects (science, technology, engineering and math) by supporting women's organizations that have partnerships with schools. 'In primary school girls are very good at science and mathematics, but they don't opt for these subjects when they go to high school.'

'We are four organizations,' says Fischer, 'Unibanco, UN Women, Fundação Carlos Chagas and ELAS. Representatives of all four together form the governance for the programme. ELAS does grantmaking and grant monitoring, while Fundação Carlos Chagas does the evaluation. 'This is an innovative way of working, more than just giving the money.'<sup>22</sup>

Avon invests to stop violence against women. With ELAS they have created the Fundo Fale Sem Medo (the Speak Out Without Fear Fund) – a programme Avon has all over the world. While Avon makes grants to large organizations, ELAS makes grants to small and medium organizations. Over three years of funding to ELAS, Avon has supported 77 projects to fight domestic violence in Brazil, and ELAS has received a total of BRL7 million (more than USD2m) from Avon to support the selected grantee projects.<sup>23</sup>

The term 'progressive philanthropy' would be scarcely recognized in Brazil, adds Ana Valeria Araujo, and not just because of difficulties with the notion of philanthropy. 'If you talk to a corporate philanthropist or to an ordinary citizen, "progressive" would have the connotation of "innovative" – things like investing

<sup>22</sup> <http://www.fundosocialelas.org/elasnaseatas/EN/index.php>

<sup>23</sup> <https://www.bsr.org/our-insights/case-study-view/instituto-avon-and-fundo-elas-speak-out-without-fear-fund>

in youth entrepreneurship would be progressive, for example, or youth leadership in a more economic sphere.'

Corporate foundations' reluctance to support rights issues is largely to do with public perceptions. According to Araujo, not one corporate foundation in Brazil wants to deal with the prison issue, for instance, 'though Brazil is in the middle of a political crisis and the country is extremely violent. Because it is not a popular issue, companies won't put money into it because it will reflect badly on their image.'

Degenszajn agrees that 'it's hard for a corporate foundation to work with the prison system because of public perception'. However, he sees their focus on education as not simply a form of playing safe. 'I think there's also a true assessment of the role they can play in education because this is a challenge that Brazil needs to overcome. Without closing the education gap, Brazil won't develop, we won't be able to take a step further, so it's valid that they put their resources to improve public education.'

Rafael Gioielli takes a similar view. 'Although it's true that companies usually prefer to invest in non-controversial issues, fostering public education or youth rights is a way of contributing to promotion of equality in our country. The great majority of black children, for example, are in public schools receiving a low-quality education. Changing this situation is a way of providing more equal opportunities.'

José Marcelo Zacchi resists the idea of a connection between social justice promotion and a specific profile of organization. 'You can have corporate foundations working hard on educational opportunities and inclusion and diversity in schools. Different types of organizations can do different things,' he emphasizes.

### *Corporate funding for environmental issues*

As with funding for human rights work, '90 per cent of total funding for environmental advocacy issues, if not more, comes from international sources,' says Ana Toni. The Mott and the Gordon and Betty Moore Foundations from the US, and Oak Foundation and one other funder from Europe who insists on anonymity, are key funders here. Most Brazilian private sector foundations are obliged to work on social and environmental damage in the territories where they have their business, for example mining or energy companies. But these are mostly palliative initiatives.

Again, this 90 per cent figure may seem surprising given that 47 per cent of Census respondents say they fund the environment. 'The apparent incoherence is due to a difference between grantmaking and funding in a more

general way,' says Degenszajn. 'When Ana Toni says that 90 per cent of funding for the environment comes from outside Brazil, she is probably thinking of grants to Brazilian institutions. GIFE's numbers include direct investment from foundations in their own programmes (which is the majority of the funding).' In addition, GIFE is reporting the percentage of institutions that invest in the environment rather than the total amount given. The term 'environment' is used generically, says Amalia Souza, so it gives no understanding of 'what kind' of investment is being made.

## IMPACT INVESTING AND SOCIAL ENTERPRISE

Impact investing (which can be defined broadly as the use of assets other than grant funding to produce social and financial returns) is a term that is very much in fashion in Brazil. 'Brazil has one of the most vibrant impact investing ecosystems in Latin America,' says Vivianne Naigeborin, strategic adviser to Potencia Ventures, 'and impact investing is a hot topic in the mainstream media.'

### *How much money is invested?*

While the field clearly *is* growing and seems certain to be important in the future, its practice is still relatively limited. The number of active investors has risen sharply from a standing start in 2003, but progress in the last few years seems to have been limited.

According to the latest research on the subject, published in 2016,<sup>24</sup> the number of active impact investors in the country increased from 22 to 29 from 2014 to 2016. In the same period, the number of domestic investors increased, from 9 Brazil-based investors and 13 international investors in 2014 to 13 and 16 in 2016, respectively. The total assets under management of local organizations in 2016 stood at USD186 million (around BRL610m) – a modest increase from USD177 million (around BRL581m) in 2014. 'The sums involved are very small,' says Celia Cruz of ICE (Institute for Corporate Citizenship).

One of Brazil's first impacting investing funds was Vox Capital, launched in 2009, which makes seed-stage and venture capital investments in high-potential Brazilian businesses that improve life at the base of the pyramid. Mov Investimentos was set up at around the same time. Apart from that, there are

<sup>24</sup> Aspen Network of Development Entrepreneurs (ANDE), Latin American Private Equity & Venture Capital Association (LAVCA) and LGT Impact Ventures (August 2016) *The Impact Investing Landscape in Latin America: Trends 2014 & 2015; Special Focus on Brazil, Colombia & Mexico*: [http://c.ymcdn.com/sites/www.andeglobal.org/resource/resmgr/docs/LatAm\\_Implnv\\_Report\\_English\\_.pdf](http://c.ymcdn.com/sites/www.andeglobal.org/resource/resmgr/docs/LatAm_Implnv_Report_English_.pdf)

very few funds, says Vox co-founder Daniel Izzo. 'There are a few international investors like LGT Impact Ventures, but not many Brazilians. Some traditional fund managers are now trying to fundraise for impact. Interest has grown a lot since last year but people are finding it difficult to raise funds.' Vivianne Naigeborin mentions Din4mo, Yunus Social Business, Sitawi, Wright Capital, Omidyar Network and Potencia itself.

As with institutional philanthropy, education is an important area of focus for impact investors, though the top one is financial inclusion. Healthcare, environmental and natural resources, renewable energy and water and sanitation all figure prominently.

### *Who is involved?*

Potencia is one of the key players in impact investing in Brazil. Formerly known as Artemisia International, Potencia has been the first investor and principal strategic partner for several key initiatives for Brazilian businesses serving the base of the pyramid, including Vox Capital.

Despite the modest advances reported above, the field overall is developing, says Naigeborin. 'A critical mass of new impact businesses that combine profit and social impact have emerged in different sectors such as education, health, sanitation, agriculture, housing and the financial sector,' she says, and there is a growing number of incubators, accelerators and intermediaries focusing on them. Accelerators include Artemisia, Quintessa and Nesst. Intermediaries include ICE, the Sabin Institute, ANDE, IDB, FGV Business School and FEA University of São Paulo, among others. Universities have included impact investing in their curriculum and several centres for social entrepreneurship have been launched in the last five years. In addition, she says, 'we see an increasing number of private foundations engaging with this field. Many have already developed strategies that include direct investments not only in impact businesses but also in intermediaries that support their development. The wider awareness gained by the impact investing field has been critical in attracting talent from the traditional markets.'

What about the corporate sector? More recently, says Naigeborin, 'corporations are including impact investing in their corporate venture strategies and offering an interesting alternative for startups to reach scale in a faster way.'

Government is also really new in this area, says Celia Cruz. In December 2017 a new policy was introduced to create a national strategy for impact investing and social business. This includes a recommendation that foundations should be a key actor, especially those of large companies. One thing foundations could do is to help mayors see social business as an ally.

More broadly, Cruz does see interest growing, especially among the younger generation of business leaders and individuals from wealthy families who own stakes in large corporations. 'At ICE, an association with 45 individual members from the business and investor community, 80 per cent of the new generation are involved in impact investing/social business. But family members aren't giving as much as I was expecting. There isn't a lot of money on the table to invest.'

Looking at the money invested in Vox Capital helps to illustrate the involvement of different groups. Funds are still coming mostly from HNWIs and family offices, says Daniel Izzo, and a bit from development finance institutions like IDB or local ones like FINEP and BNDES. One foundation has invested in Vox itself, and another has put together a group of business leaders who fundraise for Vox. 'So it's the members' money, not from the foundation.' Vox has no companies investing. 'I see potential for companies to contribute,' says Izzo, 'but they are still far from this discussion. I don't see a timeline for it.'

Like Celia Cruz, Izzo feels that progress over the last few years has been less than he had hoped, 'mostly because of the political and economic crisis in 2014. Many initiatives that would have begun during these years didn't happen because people couldn't raise money.'

### *Initiatives to promote impact investing*

The Brazilian Social Finance Taskforce (hosted by ICE, with Celia Cruz as coordinator) creates prototypes for impact investing in Brazil. One is for foundations, encouraging them to invest 5 per cent of their annual giving to develop the ecosystem of social finance if they feel new social businesses could be allies in their mission to create bigger social impact in Brazil. The Taskforce has developed a prototype for foundations to invest BRL700,000 (around USD213,000), Cruz explains. Very quickly it had 22 foundations involved and they are going to test various financial instruments – guarantees, crowd equity, loans. Family foundations, large corporate foundations and independent institutes are all involved, among them Instituto Ayrton Senna and the family foundation of Jorge Paulo Lemann. 'We have been working for a year with the 22 foundations and have just heard that one of them is creating a BRL3 million (around USD915,000) impact investing fund from different sources, including their own foundation and development agencies.'

Cruz also mentions Instituto InterCement, which has started doing crowd equity to invest in social business, and is now testing loans for social businesses; and Instituto Sabin, which made its first grant to Artemisia. Cruz offers an example of the sort of thing they are hoping to achieve. Artemisia made a call for social businesses in health, and partnership with companies like Facebook and Caixa Economica Federal, she recounts. One start-up

accelerated by Jump Brasil (an accelerator launched by Porto Digital) and Artemisia is Pickcells, which identifies parasites in faeces with a microscope camera. If you're in a rural area, sending a specimen to a lab takes 21 days, but sending a photo can take a few hours. Instituto Sabin is bringing Pickcells into the company's lab and Artemisia is connecting them with Facebook. 'This is the mindset we're opening for foundations, affecting more low-income people than we could imagine with grants,' says Cruz.

Now ICE is creating a project for family offices. They want 10 families and their family offices putting in BRL100,000 (around USD31,000) each to co-invest in 3-5 social businesses. 'Each family office works completely differently from others,' she says. 'Some ICE members play a leadership role in their companies and in the decision to do impact investing; in other families, the managers of the family office guide their investment and these managers are not familiar with impact investing. We are including in this project capacity building for ICE members and for family office managers – often they're the ones who are against impact investing because of the lower confidence in a financial return.'

Finally, GIFE sees fostering and strengthening impact investing as part of its agenda of mobilizing private resources for the public good. It has just formed an affinity group on social and environmental business and impact investing, and released a publication on impact investing, which looks at the connection between traditional private social investment and the development of this new field.<sup>25</sup>

### *The importance of examples*

In an interview with *Alliance* in August 2012,<sup>26</sup> Daniel Izzo said that 'impact investing needs examples of success before the field can take off – and those will be a few years coming still'. Have they come? 'They're coming,' he says – though there still haven't been any completed exits, where the fund has sold its shares. 'Now we have a few good examples, like Avante, in financial services; Geekie, in education; Dr Consulta, in health clinics. They have all had a great impact on the target population, but none has returned capital to investors yet.' Despite this, the business case is being made, he says. 'The businesses are growing. Avante is in our portfolio, and its value has increased 15 times in three and a half years. So signs are promising.'

<sup>25</sup> Gabriela Brettas (2018) *Olhares Sobre A Atuação Do Investimento Social Privado No Campo De Negócios De Impacto* GIFE: <https://sinapse.gife.org.br/download/olhares-sobre-a-atuacao-do-investimento-social-privado-no-campo-de-negocios-de-impacto>

<sup>26</sup> *Alliance* (August 2012) 'Interview with Daniel Izzo': <http://www.alliancemagazine.org/interview/interview-daniel-izzo>

Vivianne Naigeborin also identifies three Brazilian businesses ‘that can already be considered success stories, achieving consistent results over the years, scaling both in revenue and in impact’. They are Geekie, Terra Nova and Magnamed.

### GEEKIE – USING TECHNOLOGY TO IMPROVE EDUCATION IN PUBLIC SCHOOLS<sup>27</sup>

Accelerated by Artemisia, invested in by Virtuouse, Omidyar and Lemann Foundation, among others, and supported by Endeavor, Geekie is using innovative technology to improve the educational opportunities of the more than 40 million students in public schools in Brazil. In 2012, no municipal or state institutions were among the 50 schools with the best performance in ENEM (the national merit exam, used as a gateway to higher education).

Among Geekie’s flagship products is ‘Geekie Games’, a free online service to prepare for ENEM. Free access to it throughout Brazil is sponsored by partners to cover the costs for public school students. In 2013, more than 17,000 schools and students from 92 per cent of Brazil’s municipalities participated in Geekie activities. Overall, students who used Geekie products recorded performance up to 30 per cent higher than those who did not; 80 per cent of Geekie’s registered users in 2013 were students from public schools.

### *How is social entrepreneurship developing in Brazil?*

Although some suggest that impact investing funds have found it difficult to find enterprises to invest in that would deliver social and financial goals, this isn’t widely seen as a problem. According to Mariane Maier Nunes, the idea of social enterprise is definitely growing in Florianópolis, ICOM’s base – though ICOM does not give grants to support social businesses: ‘people are becoming more aware, especially young people who want to do something in the community. Usually they go for social business because the language is closer to their reality.’

‘When I was younger,’ says Celia Cruz, ‘you went for either an NGO to create impact or a business to make money. The new generation is investing in social business in the model of Muhammad Yunus – businesses investing 100 per cent of profits back into their social business or creating a regular business with social purpose; many are creating businesses in the model of B Corps.’

<sup>27</sup> <http://www.schwabfound.org/content/claudio-sassaki>. See also <https://www.theguardian.com/technology/2016/jan/10/geekie-educational-software-brazil-machine-learning>

This is a more financially self-sustaining way of creating impact than creating an NGO.’ She also notes that few Brazilian NGOs are creating social businesses to achieve sustainability, unlike in Canada or the UK. NGOs are used to relying only on donations, she says, and the law is a disincentive. You can lose tax deductions if you build income generation.

Social enterprise as such is only part of the picture. ‘We do not necessarily invest in social enterprises,’ says Daniel Izzo. ‘We invest in companies whose core business is solving the real problems of low-income populations. There is a growing interest in businesses that have a larger goal than just generating profits. But they call themselves businesses. Social enterprises that call themselves that are relatively few. B Corps are growing but they don’t call themselves social enterprises. In fact one of Brazil’s largest listed companies, Natura, has become a B Corps. So the terminology is a bit fuzzy. We are talking about entrepreneurs trying to create solutions with impact, and this is growing a lot.’

Is the interest greater interest among young people. Yes, says Izzo, ‘but not exclusively’.

## SOCIAL JUSTICE PHILANTHROPY

A movement towards philanthropy for social justice has recently emerged in Brazil. In 2009, the Philanthropy Network for Social Justice was formed, in the words of Cindy Lessa and Graciela Hopstein, as ‘an authentic movement through networks and national and international events. It is also a result of initiatives promoted by the Synergos Institute, which since the beginning supported and encouraged such an initiative.’<sup>28</sup>

‘We describe this as philanthropy for social justice, supporting transformation,’ says network coordinator Graciela Hopstein. ‘Members are grantmakers supporting human rights – gender, women, environment, climate change, racial justice, even health, human rights in general.’

The network is composed of 10 associated organizations: Baobá Fund for Racial Equity; ELAS Social Fund, exclusively aimed at promoting women’s

<sup>28</sup> Candace (Cindy) Lessa and Graciela Hopstein (2014) ‘Transforming philanthropy in Brazil: the phenomenon of the Network of Independent Funds for Social Justice’, in P Mendonca et al, *The Institutional Architecture of Support to Civil Society Organisations in Brazil*:

[https://ceapg.fgv.br/sites/ceapg.fgv.br/files/u26/livro\\_articulacaod3\\_ingles.pdf](https://ceapg.fgv.br/sites/ceapg.fgv.br/files/u26/livro_articulacaod3_ingles.pdf)

Hopstein’s book *Filantropia de justiça social, sociedade civil e movimentos sociais no Brasil* (Philanthropy of social justice, civil society and social movements in Brazil) will be published in May by E-papers Serviços Editoriais Ltda.

leadership and empowerment; the Brazil Fund for Human Rights; Casa Socio-Environmental Fund, which promotes conservation and environmental sustainability; PositHIVo Fund, focused on STD/AIDS prevention, including attention to the bearers and the fight against stigma; CESE, which works to promote, defend and guarantee rights; iCS, which supports climate change initiatives; and three community foundations – ICOM, Instituto Baixada Maranhense and Tabôa.

Given the difficulties that rights organizations of all kinds in Brazil have in raising funds, the contribution these social justice funders make can be crucial to the survival of NGOs working in these areas. Funding from domestic sources has tended to go to less contentious areas, like healthcare and education. ABONG, the Brazilian association of NGOs, notes that the reduction in overseas funding has been particularly serious for NGOs engaged in rights and advocacy work, which previously depended almost exclusively on it. And, as we'll discuss below, NGOs of all sorts struggle to raise money from individuals.

Network members also experience in their own right the difficulties faced by other social change organizations. They all have to raise funds for their grantmaking programmes. 'They do not have enough assets to do their work, they have relatively small endowments (when they have any) and they do not have a share of a corporation to distribute,' says Andrés Thompson, a former network coordinator. What's more they must do it in 'a very competitive environment that ... does not prioritize social justice issues. This is a permanent preoccupation and is an issue that is on top of the agenda of the network.'

'A problem we are facing in the network is that 80 per cent of the resources of independent funds still come from international funders,' says Graciela Hopstein. 'We still need international philanthropy to support our actions. ELAS and Baobá have good experiences with corporate philanthropy but mostly funds come from the Kellogg Foundation, Ford Foundation, Oak, OSF and even the Mott Foundation, though it's not based in Brazil. If local resources don't go to NGOs, we need international philanthropy to support our activities. We are living in a gap.'

### *Philanthropy for women's rights*

There is a handful of funds supporting philanthropy for women, says ELAS director Amalia Fischer, including the Brazil Human Rights Fund, the Brazil Foundation, CASA, Fundo PositHIVo, Baobá and CESE – and ELAS, of course. But there is not enough investment in women's rights, she says. A few companies do invest in women's rights, including Avon and Instituto Unibanco, both ELAS partners – as described above. ELAS also has two individual major

donors supporting a programme of building movements and supporting endangered activists. 'We did try fundraising from smaller donors,' says Fischer. 'We had 30 but they stopped giving. They give a donation of say BRL60 (around USD18) a month for a year and then they stop. To have small donations you need a large staff, which is expensive. We are nine people.' ELAS also receives funds from the Oak Foundation, Sigrid Rausing Trust and Global Fund for Women ('we have a partnership with them').

Since 2014, it has become more difficult to access funds from within Brazil, she says. 'Now women's rights are in danger because we have a conservative government and Congress. In 2015, when we saw what was happening, we started raising funds from outside Brazil. We started to talk to our partners about how to ensure we had enough funds to carry on grantmaking and avoid closing our doors. Avon and Instituto Unibanco are courageous to support women's rights in the present context.'

### *Philanthropy for racial equity*

Baobá is a unique fund created to provide resources for NGOs that are working on racial equity in Brazil. 'In addition to giving money, we try to provide knowledge on topics like marketing and fundraising,' says executive director Selma Moreira. 'This is a huge issue for Brazilian organizations as we don't have a strong culture of giving.'

Black NGOs in general are vulnerable in terms of mobilizing resources, especially financial, she says. 'They tend to have some engaged volunteers because they don't have enough money to build strong in-house teams. We are just starting research with Rio de Janeiro Federal University mapping black organizations, looking at how big they are in terms of budgets and staff and so on, so we get a better overall picture, and consequently address our strategy for fundraising and grantmaking.'

Raising funds for racial equity is hard, says Moreira. 'In general it's not easy to fundraise for social justice, and when we're talking about racial issues it gets worse. We have "blind" people who deny racism in our country; they say we are living in a racial democracy and there's no problem about racism. It's all about inequality and poor people. But most of these poor people are black,' she points out, 'a result of our colonization process that left us with a culture of slavery that did not really finish with the colonization period. So there's resistance to any sort of affirmative action. People say, "no, it's not necessary, it's not fair. Everyone has the same rights according to the law." If we can't face the problem, it's almost impossible to come up with solutions.'

Talking about gender is particularly difficult, she says, ‘and talking about black women and girls, who suffer a lot of sexual violence. We have a growing number of haters on the internet when we discuss race, feminism, women.’

### BAOBÁ FUND FOR RACIAL EQUITY

Created in 2011, Baobá was a ‘kind of legacy’ from the Kellogg Foundation, says Selma Moreira. ‘When they finished operations in Brazil they decided to help build an endowment fund with Baobá to make investments in racial equity.’ Baobá has match funding from Kellogg, initially 1:1 for programme fundraising and 1:2 for fundraising to build our endowment ‘so they are helping us build our endowment funds in line with our capacity to fundraise’. The Kellogg Foundation has promised to contribute up to USD25 million (around BRL82m). To date Baobá has almost USD3 million (around BRL10m) in its endowment.

Baobá’s new strategic plan sets out three priority areas:

- **Right to live**, focusing on maternal and child mortality, feminicide, violence against black youth.
- **Education**, including combating institutional racism in schools.
- **Labour and economic development**. This involves working with companies to help them think about racial diversity and to include black people in their teams, and supporting black entrepreneurs.

‘Companies have any number of excuses,’ says Moreira. ‘They say, “I’d like to have black people in my team but they’re not well prepared, they didn’t go to the best universities, they don’t speak English.” We need to break this vicious circle, and to build new strategies with companies, such as providing mentors and creating development programmes.’ Given that many black people can’t find opportunities in companies, it’s not surprising that Brazil has huge numbers of black entrepreneurs. Baobá supports them in areas such as developing a business plan, marketing strategies, product design, and, crucially, access to credit.

In Brazil Baobá fundraises with private companies, foundations, institutes. ‘They make an agreement with us to address specific issues, combining their strategy and our mission,’ Moreira explains. ‘We have different partners for different issues. For example, we have a call for proposals open with Instituto Coca Cola to promote the empowerment of black women and girls. With Instituto Unibanco we have an agreement on education. We have already made two calls for proposals to stimulate strategies to improve high schools

for black youth, and we will be supporting 20 projects in all. Unfortunately we don't yet have our own money to address our strategic areas – for example violence against black youth and black women. If we want to address violence against black boys, our partner wants to address education. If they have the opportunity to study, they say, then they will probably face less problems with all kinds of violence. But it's not that easy, many things push black boys into violence. We have huge numbers of black boys dropping out of high school without finishing. If we have affirmative action for universities but don't have enough black people trying to go to them, we will have problems.'

Is it different working with international foundations like Oak and Ford? 'They will not dictate what we do but we still have to find a common line to work together,' says Moreira. 'Oak Foundation has a strategy to work in the north-east, in Pernambuco, so we are going to do a call for proposals for the north-east region and it will fit with their strategy: working with cities to build better health and education systems.'

The recent GIFE Congress saw the announcement of a new initiative, in honour of the late Marielle Franco, to support black women who aspire to political leadership in Brazil. To this end the Ford Foundation, OSF and the Ibirapitanga Institute have made a donation of USD3 million (around BRL10.5 million) to the Baobá Fund.

At the same time the Kellogg Foundation announced that it would increase its match to the Baobá Fund, matching Brazilian contributions to the fund on a 3:1 basis and international donations on a 2:1 basis, with half going to an endowment and the other half supporting programming. The decision was based on Baobá's ability to provide continued local philanthropic leadership during a time when the momentum behind efforts to advance racial equity for all Brazilians is building – spurred in part by community and global responses to the recent assassination of Marielle Franco. 'In this crisis, the people of Brazil have been uplifted even as they grieve,' said WKKF president and CEO La June Montgomery Tabron. 'Franco's death is making many only more determined to continue her work to improve the lives of the vulnerable and advance racial equity for all in Brazil.'

What about individual donors? Baobá has no major individual donors, but it does have some small individual donors. 'We made a fundraising business plan two years ago but we didn't have enough money to implement it. So we are currently doing this on a very small scale.'

### *Funding for the environment*

Ana Toni notes a rather blinkered view of what environmental issues are. 'The great majority of environmental funding goes to the Amazon region,' she says. 'The Amazon is obviously vital but we cannot ignore the environmental challenges in urban areas, where 90 per cent of the population lives. There is a lack of understanding that environmental issues don't just affect the forest but extend much more widely, embracing education, health, media, politics. Very little environmental funding comes to urban areas. And very few fund sanitation, water, climate. These issues obviously require public policies to solve them, and they seem too complex for Brazilian funders to grasp.'

Unfortunately, she goes on, the philanthropic sector in Brazil largely fails to see the huge impact the environment has on social and economic areas. 'We can no longer treat the environment as a "niche".' Despite this, she sees some positive signs. Over the last three or four years, there has been 'a big increase in new individual donors coming into the market, and many of them are much more sensitive to environmental issues'.

Amalia Souza agrees that funders mostly have a very narrow view of environmental funding. 'It is true that US funders have poured millions if not billions into strengthening protected areas in the Amazon, as well as some investments in trying to "green" commodities such as cattle and soy. However, none of that has gone to support local communities to become better caretakers of their homelands. For decades,' she continues, 'there seems to have been an understanding that you need to fence off natural areas and remove people in order to protect them. At the same time another trend was to talk about ending poverty even if that meant devastating natural ecosystems. It was only in the late 1980s that these two opposing views came together and people began to understand that you cannot remove people from poverty if you destroy the very natural systems that sustain life; and you cannot protect natural systems without involving and empowering the people who live there. That is when Brazil adopted the term "socio-environmental", indicating that one worldview is not in opposition to the other.'

It was with this in mind that CASA was created, to invest in the caretakers of the most important South American ecosystems. 'The cost-benefit of this kind of investment is truly off the charts,' says Souza.

We have seen a growing interest by some individual funders in reforestation, adds Toni. This may be because many of them have big farms and have seen the degradation of their own land. They are doing agro-ecology on their own properties, so they have a better understanding about some of the

environmental challenges. On the whole, though, they go out and fundraise for their own projects among their wealthy peers, notes Souza.

The political situation is having a huge impact on the work of environmental funders and NGOs. 'We have a Congress that has no real interest in environmental issues. In fact, it's the opposite, they are really trying to undermine the legislation that we already have, so politically we are going backwards,' says Toni. 'Why? Government is very close to agribusiness, which has an interest in opening new forest areas to explore for their business. This involves undermining legislation on conservation areas and on indigenous areas ... and the government seems very keen to support those private interests.'

### *The significance of social justice philanthropy*

In spite of this, Ana Valeria Araujo sees the rise of the social justice philanthropy movement as the most significant development in Brazilian philanthropy in the last ten years. 'It is not so big or so important as corporate philanthropy,' she concedes, 'but it is important enough for GIFE to have started to pay attention to it. It has raised awareness of issues that didn't exist in Brazil previously.'

Ana Toni also notes the significance of the new social justice funds: 'regranting organizations such as the Brazil Human Rights Fund, ELAS or Baobá ... are important vehicles to fund small and under-the-radar organizations in a very professional manner.' Another significant contribution the network can make, thinks Amalia Fischer, is helping to change 'the paradigm of giving' from one based on 'charity and religion to one that understands the value of citizenship, rights, social justice and social transformation'.

The development of these funds also illustrates the evolution of Brazilian philanthropy over the last decade. Though many NGOs, especially those working in the area of rights, are feeling the squeeze, some domestic sources of funding have been tapped. The history of CASA gives an insight into this evolution. CASA was established in 2005 by a group of environmental activists with the objective of strengthening grassroots environmental NGOs across South America. Over the last 12 years it has granted over USD6.5 million (around BRL21m) to over 1,450 projects in 10 countries across the region. 'We started out with only international money,' says Amalia Souza, 'but we now have substantial domestic funds, much of which comes from Brazilian banks, individuals and private funds. Our mission is to fund grassroots groups in the major South American eco-regions. In the Peruvian Amazon, for example, oil spills have contaminated thousands of square miles, destroying the rivers and lands that indigenous people need to survive. With money from

American and European donors, we have funded local indigenous communities' access to legal advice so that they can demand reparations and compensation for what is often decades of adverse health effects, contamination of their food sources, and other serious problems.'

CASA has also started a process of disseminating and replicating its own philanthropic model across the region. It will be supporting the establishment of independent socio-environmental funds in at least six other South American countries in the next few years.

### *Supporting social movements*

Among those supported by social justice philanthropy are various social movements. These are usually based on organizations, says Ana Valeria Araujo, though the landless movements (urban and rural) and perhaps the indigenous movement are exceptions. Groups like Mothers of May are more typical. This is a network formed to campaign against police violence and judicial killings, a movement that 'exists above a network of organizations'. In either case, while they are self-organizing, few of these social movements would be capable of supporting themselves, so they depend on grants principally from foreign foundations and, during the Lula and Rousseff administrations, from the government. At the moment, and in common with most rights-based NGOs, such groups are struggling, and reliant on funds from the likes of the Brazil Human Rights Fund and CASA.

## COMMUNITY PHILANTHROPY

### *Community foundations*

Community foundations as such are not strongly represented in Brazil. There is a handful in the country:

- Instituto Rio, the first community foundation in Brazil, founded in 2000 and operating in the west zone of Rio de Janeiro
- ICOM, which operates as a community philanthropy organization in the region of Greater Florianópolis, Santa Catarina state
- Fundo Zona Leste Sustentável (Sustainable East Zone Fund) in São Paulo, set up in 2010
- Instituto Baixada Maranhense, which supports social and productive projects of NGOs in the Baixada Maranhense
- Tabôa, which fosters community-based initiatives and socio-economic ventures in the Serra Grande region of Bahia. It is breaking new ground in its work with local producers promoting microcredit lines

It's worth noting in the context of Brazilian institutional philanthropy, where grantmaking is the exception rather than the rule, that these community foundations do make grants. One of the main aims is to promote a culture of giving, says Mariane Maier Nunes of ICOM, 'because in Brazil, philanthropy is still developing and people are not really used to donating to support CSOs. Our role is to stimulate that.'

'Although ICOM operates as a community foundation, locally the term is not much used,' Nunes continues. ICOM also adopts a slightly different approach from the classic community foundation model. 'The US model starts with the donor,' she says. 'In Brazil and some Latin American countries, community foundations usually start with complex community issues. Then we mobilize people and funds to solve these issues with the community. As a community philanthropy organization, ICOM works as a bridge between civil society organizations and donors.'

In order to do this, ICOM has developed some creative approaches to philanthropy. One example is the use of Vital Signs, a collective research method pioneered by Community Foundations of Canada. 'Vital Signs leverages local knowledge to measure the vitality of our communities and to establish local priorities,' Nunes explains. 'The resulting report is then used as a tool for advocacy. It helps ICOM mobilize resources and direct them to burning issues in the community. It also builds citizen participation around public issues.' One result was the passing of a law in Florianópolis that grants legal force to the City Performance Goals. This means that each elected mayor has to present a strategic plan with goals on issues such as housing, health, inequalities, the environment, children's rights and education.

Another creative approach to stimulate the culture of giving is ICOM's giving circles, where people get together then choose an organization to donate to. 'We have launched three small giving circles in Florianópolis, says Nunes. 'Only one is still working after its launch six years ago. In our experience, the success of a giving circle will depend largely on the motivation of the group. The community foundation is a facilitator.'

'While we have been able to talk about the importance of giving and make terms like "grantmaking" a bit more popular, the amount of grants we make to other NGOs is still very small, averaging BRL34,500 (USD10,000) a year through ICOM. Our greatest result will be the long-term cultural change, moving from little giving to a community where people give and trust NGOs and local groups.'

ICOM's donor base is a diverse one. In an average year, says Nunes, usually around 13 per cent of ICOM's total funding comes from international

foundations, 20 per cent from national foundations and other civil society organizations, 10 per cent from individuals, 15 per cent from government and 42 per cent from corporations.

### *Informal community philanthropy*

While community philanthropy in a formal sense is still relatively limited in Brazil, members of the Philanthropy Network for Social Justice are coming to recognize that many of their grantees are employing the principles and spirit of community philanthropy in their work, particularly around the mobilization of local resources for local problems – though they may never have heard of the term and certainly don't identify themselves as community philanthropy organizations.

Recently CASA Socio-Environmental Fund surveyed its 1,450 grantees (which include farmers' associations, community banking networks, community development organizations, etc) to identify those that fit the description. It found that approximately 80 per cent of its grantees mobilize local resources to invest in their own communities, putting them in the category of 'community philanthropy' as it is known internationally. Ten of them were brought together in a pilot project, with the support of the Global Fund for Community Foundations. The aims were to identify and map some of the different strategies and practices their grantees were using around local asset mobilization and community investment, and to introduce them to the idea of community philanthropy both as a global force and as a strategy to build local power and voice. This process is likely to be replicated in the future, which will help to strengthen both links between such organizations and the community field in general in Brazil.

## INDIVIDUAL GIVING

The two most up-to-date and comprehensive sources on individual Brazilian philanthropy are CAF's *Brazil Giving 2017*<sup>29</sup> and IDIS's 2016 report *Pesquisa Doação Brasil*<sup>30</sup> (Picture of Giving in Brazil), one of whose declared purposes is 'to try to foster a culture of giving'. As the two are not precisely comparable (the CAF report, for instance, has no estimate for the overall amount of individual giving and the composition and size of the survey sample are, of course, different in both cases), the most salient findings of both are given.

<sup>29</sup> [www.cafonline.org/docs/default-source/about-us-publications/caf-brazil-report--finalv24.pdf](http://www.cafonline.org/docs/default-source/about-us-publications/caf-brazil-report--finalv24.pdf)

<sup>30</sup> IDIS (2016) *Pesquisa Doação Brasil* (Picture of Giving in Brazil): <http://idis.org.br/pesquisa-doacao-brasil>

### CAF's research

Two-thirds (68 per cent) of CAF's sample of 1,313 had given money in the previous 12 months and 52 per cent had volunteered in the same period. Interestingly, the most popular method of donation was giving cash directly to the office of an NGO. Giving by text (3 per cent) and cheque (4 per cent) were the least common ways to give, although 20 per cent said they had given online. The men in the CAF sample reported higher levels of giving than did the women.

Both reports agree on the importance attached by Brazilian donors to supporting religious organizations/churches. CAF found it was the most popular cause, with almost half of donors (49 per cent) having given to it. Supporting children (orphans, seriously ill children, children with disabilities) was the second most popular cause (42 per cent), followed by helping the poor (28 per cent). Scientific research, medical research, and community development and urban environment were the least popular causes (3 per cent each).

Around one in 20 younger people surveyed (aged 18-34 years) said that they support human rights protection, including LGBTQ rights, compared to fewer than one in 100 of those aged 55 or over. Given the paucity of funding for rights issues, this finding may be of considerable significance for the future.

### IDIS's *Picture of Giving in Brazil*

As in other countries, individuals give more than institutions – over three times more in fact. The *Picture of Giving* estimates a total of BRL13.7 billion (USD4.2 billion) for 2015.

According to the research, 52 per cent of a survey sample of some 3,000 Brazilians gave money in 2015, while 34 per cent did volunteer work and 62 per cent gave goods. Most of those who give do so regularly, with 66 per cent giving at least on a monthly basis, while a substantial proportion give more frequently, suggesting a pattern of modest regular donation. Thirty-seven per cent of the survey sample gave money to an institution or an NGO – which is interesting, given the distrust of NGOs prevailing among those who participated in this survey. A further 8 per cent gave directly to 'church, social or community projects'. There were single-figure percentages for other types of giving, including direct donations on the street, responding to fundraising TV campaigns and direct donations to groups which had mobilized informally. The most popular causes were health (40 per cent), children (36 per cent) and combating hunger and poverty (29 per cent). For most other causes, the percentages were in single figures. Strikingly, no rights-type causes appear on the list and the environment attracted as little as 3 per cent of individual donations.

Giving is more prevalent among older age groups: 32 per cent of 18-29 year olds gave money, a proportion which rises steadily to 57 per cent in the over-50s group. Women are also more likely to give, as are the better off and those who profess a religious faith. From these statistics, IDIS adduces a 'classic donor profile': female, middle-aged or above, with above average education, who lives in the north-east or south-east regions of the country, has four times the minimum income or more, and professes a religious faith.

### *Dia de Doar – the day of giving*

Several initiatives to promote a culture of giving in Brazil have emerged in recent years. One is the *Movimento por uma Cultura de Doação* (Movement for a Giving Culture), composed of NGOs and individual philanthropists and set up by Joana Mortari, a philanthropist and social entrepreneur, in March 2013 at the 8th GIFE Congress. Later in the same year the first *Dia de Doar* – or #diadedoar (day of giving) – took place under the aegis of the Brazilian Fundraisers Association – ABCR. #diadedoar is a development of the Giving Tuesday idea popularized in the US, and it now takes place annually.

ABCR promotes #diadedoar and acts as a sort of executive. In advance of the day, ABCR encourages fundraising organizations to plan for it and raises awareness of it among the public. In 2017, João Paulo Vergueiro of ABCR estimates that around BRL678,000 (around USD207,000) was raised (the figure for 2016 was BRL588,000/USD179,000) and 16.4 million people were reached through social media, 7 million more than in 2016. While in 2016 BRL54,000 (USD16,400) was donated to 31 NGOs through the crowdfunding platform Juntos.com.vc, in 2017 this figure had risen to BRL240,000 (USD73,000), with BRL300,000 (USD91,000) going through the Brazil Foundation's Abrace o Brasil (Hug Brazil – <https://abraceobrasil.org/en/>) platform. 'So it seems to be growing,' says Vergueiro. 'NGOs now know about #diadedoar and are starting to plan ahead, so the next challenge is to get it known by big companies and by the media so that they can promote it on the day and ahead of time.'

He notes that every state has at least one organization running a #diadedoar campaign. In the city of Sorocaba, for example, for the last two years a local family foundation has partnered with local NGOs to promote its own campaign 'Sorocaba Gives', and 'at least eight cities are doing something similar'.

The most significant thing about the #diadedoar idea, however, is the gradual change in attitude it is introducing. It started 'low key', notes Vergueiro, and it took a while for people to understand it. 'People didn't have the concept of giving days. There is nothing like Christian Aid Week or Red Nose Day in Brazil, so #diadedoar is groundbreaking.'

### *Fundraising from individuals*

#diadadoar is part of a larger trend for NGOs to see individual donors as potential sources of donations. For Ana Toni, the fact that NGOs are starting to fundraise from the public is one of the most marked recent developments in Brazilian philanthropy. She points out the youth of the sector and its lack of experience in raising money: '70 per cent of NGOs were founded in the last 30 years. Up to 10 years ago, they had plenty of money from institutional donors and government and that has changed. They can no longer rely on international donors, government and corporations to come to them.' While some larger NGOs have conducted successful public fundraising campaigns (Toni cites the success of Médecins Sans Frontières in raising money from the public: it has gone from 15,000 donors to 400,000 in 20 years by investing in fundraising), there are some obstacles to the full exploitation of this idea. These will be discussed below. In the meantime, while most respondents note the need for more public fundraising by NGOs, there are differing views on the likelihood of success.

'While international organizations allowed NGOs to invest in institutional development, government and companies usually want to restrict funds to specific projects,' says Nina Valentini of Arredondar (see below). 'Public fundraising is helping to fill a gap left by international organizations when they exited from Brazil in 2008.' Building a public fundraising campaign is very costly, she goes on, so it's more possible for big NGOs. 'That is why we created Arredondar, which donates institutional resources to small, medium and large NGOs.'

The idea of Movimento Arredondar (Rounding Up Movement), founded by Ari Weinfeld in 2011 and run by Valentini, is that shoppers will be able to round up the value of their purchase and donate up to BRL1 in stores participating in the scheme. After several challenges including taxes, technology and a change in paradigm, they implemented a large-scale project in April 2014. Since then 7,208,599 micro-donations have been made, with a total value of BRL1,828,930 (USD555,384), with 32 NGOs benefiting. Currently, Arredondar is able to raise an average of 17,000 daily donations. The scheme currently operates in around 750 stores, and it has just agreed a new partnership, which will allow it to reach as many as 1,300 stores by July 2018.

In 2017 Arredondar was among four projects selected by the BIS Fund, whose aim is to promote a culture of donation in Brazil and support initiatives that create an increasingly favourable and motivating environment for all Brazilians to donate. It has just won a bid to support its e-commerce plan – Arredondar is still not present in online e-commerce, says Valentini – and will have two pilot

projects implemented in the next two months. The BIS Fund is being incubated by GIFE and has received contributions from the Arapyaú Institute, the C & A Institute, ICE (Institute for Corporate Citizenship) and the Cyrela Institute.

‘I must admit that it cost more and took longer for Arredondar to take off than we had anticipated,’ says Valentini. ‘Considering our job involves changing the mentality and culture of our country, this should be expected, and overall we are happy with the results so far.’

### *Online giving*

While Vergueiro describes telemarketing as ‘probably the biggest acquisition tool for new donors’, ‘going on to the street is not common in Brazil’, he says, though that is one of the things the Movement for a Giving Culture is trying to change. He feels that online giving has been growing in significance over the last five years. ‘Everyone has a smartphone,’ he says, and even if they are not giving online, they get the message online. NGOs are investing in new websites and structures to raise money online. Mariane Maier Nunes notes ‘some online giving to ICOM, but it’s very small when you compare it to all donations’.

We don’t have research on online giving and crowdfunding, says Vergueiro, ‘but the feeling is that it is growing’. For example, the US-based Brazil Foundation ran a major online fundraising campaign last year called Hug Brasil, both in Brazil and in the US, to raise funds for 100 Brazilian NGOs. The final total hasn’t been announced yet, but it will probably be over BRL1 million (around USD305,000) over the two and a half months campaign, of which BRL300,000 (around USD91,000) was donated on 28 November – #diadadoar.

### *Crowdfunding*

Crowdfunding is also gaining ground, according to Vergueiro, though it is still in its infancy. Some organizations have specific crowdfunding pages for #diadadoar, with over a third of the 2017 proceeds coming through crowdfunding website [Juntos.com.br](https://juntos.com.br), which raised BRL240,000 (around USD73,000) in one day in 2017, as part of #diadadoar, as opposed to BRL150,000 (around USD46,000) in the whole of 2016. Crowdfunding is more confined to young people and often used for social business, adds Nunes. Mostly NGOs present very specific projects to be funded.

Amounts raised by crowdfunding are difficult to estimate. Most observers feel they are not large at the moment, but Andre Degenszajn believes that, as with #diadadoar, the significance of crowdfunding is in the cultural change it is

helping to bring about: 'it occupies a very important role because it suddenly made people see they could raise money for causes from individuals and that wasn't an option before.' Crowdfunding can also, of course, be used as readily for private as for public benefit, and any assessment of its philanthropic contribution remains guesswork for the moment.

## PHILANTHROPY INFRASTRUCTURE ORGANIZATIONS

The two most prominent organizations in Brazil's philanthropic infrastructure have already been noted. Set up in 1995, GIFE acts as a network organization for institutional philanthropy (which, as discussed above, principally means corporate foundations and company philanthropy programmes). Founded four years later in 1999, IDIS's remit, as its website puts it, is 'to promote the engagement of individuals, families, companies, and communities in philanthropy and private social investment'. It is a member of CAF's Global Alliance, providing a range of services including technical support, project implementation, grantmaking management and advocacy (witness its campaign to promote the use of endowments, mentioned elsewhere in this report). IDIS also convenes the country's most significant domestic philanthropy gathering, the annual Brazilian Philanthropy Forum. Begun in 2012, the sixth edition of the Forum took place in October 2017.

The presence of WINGS in Brazil, believes Ana Toni, is significant in showing Brazilian philanthropic organizations what the potential of infrastructure is. She notes that the relationship between WINGS and GIFE is very close, to the point where 'sometimes the image of the two got a little mixed in the past'. What WINGS and GIFE together could do is to help Brazilians understand what philanthropy is – an understanding that she believes is lacking. She also speaks of the need for a forum where infrastructure organizations could come together – 'a place to talk, a place to meet your peers if you are a support organization. It's easy to be isolated.'

Despite its relatively small membership, the Philanthropy Network for Social Justice is likely to be of growing significance as the momentum behind social justice philanthropy grows in Brazil and conflicts over rights become more pronounced.

Also worth noting are the association of NGOs (ABONG) and the association of fundraisers (ABCR). Founded in 1991, ABONG predates both GIFE and IDIS. Its initial purpose was to bring together CSOs that campaign for 'human rights, democracy and a more just and sustainable world'. The focus, while still broadly similar, has now widened to include investing in the sustainability of

Brazil's CSOs and campaigning for a new regulatory framework for them. ABCR, which has over 350 members, was set up in 1999. It has its own annual conference, the ABCR Festival, and a weekly newsletter; it also runs a free online platform on fundraising, Captamos ([www.captamos.org.br](http://www.captamos.org.br)).

## WHAT IS DRIVING THE GROWTH OF PHILANTHROPY IN BRAZIL?

Unfortunately there is much less to say about what is driving the development of philanthropy in Brazil than about what is holding it back. Most of the factors that are stimulating growth in Brazilian philanthropy have already been noted. Against the backdrop of the country's growing wealth, the withdrawal of international funding and government cuts to welfare provision, there is a dawning realization of the role that individual giving can and must play. As noted above, Ana Toni sees the fact that circumstances are forcing NGOs to look for public support as positive, because NGOs will have to get people to engage with them and to understand the work they are doing.

As elsewhere, the development of online giving and crowdfunding is creating increased opportunities to give, and for a different group of givers. Growing efforts to stimulate a culture of individual giving include the #diadedoar initiative. At the time of writing (March 2018), the Movement for a Culture of Giving had 2,265 people registered in its #diadedoar Facebook page while #diadedoar had 14,898.

Talking about corporate philanthropy, Rafael Gioielli identifies the corporate responsibility and corporate sustainability movement as the main driver. 'This means that it has a business strategy driver – although there are other drivers such as the social consciousness of shareholders and executives, social pressure, and brand/communication strategies. Of course, the existence of very relevant social needs and demand is very important too,' he adds.

## WHAT IS HINDERING THE DEVELOPMENT OF PHILANTHROPY IN BRAZIL?

There are several obstacles to the development of philanthropy in Brazil. The first of these is the political environment, as described above. As we have seen, under the present government, the amount of money for social causes is diminishing and the general uncertainty is making it difficult for NGOs to operate. Other obstacles are an unhelpful legal and fiscal framework and a reluctance on the part of the public to give to NGOs, partly because of mistrust and partly because of the absence of a culture of doing so.

Ana Valeria Araujo also notes a general expectation on the part of Brazilians that the government should provide when it comes to social matters. 'We've learned from our history that Congress, presidents, judges, they make the laws, the good laws and the bad laws, and that whatever happens in the country depends on government action.' Again, this is borne out by the IDIS report. Forty-seven per cent of those who don't make donations say this is because 'solving social problems is the government's responsibility'; and only 2 per cent of those who do give say it is because they feel everyone needs to contribute to the solution of social problems.

Looking at corporate philanthropy specifically, in Rafael Gioielli's view, one thing that is holding it back is the lack of evidence of benefits (for society and companies) generated by companies' philanthropic investments. Other factors are 'the lack of innovation in these investments (many projects seems to be the same as 20 years ago); and a non-productive debate about how corporate philanthropy is too business oriented and how the connection with business interests is making resources scarce for NGOs. In my opinion the connection with the business brings more money to the social field, although NGOs are under more pressure to deliver short-term results.'

### LEGAL AND FISCAL FRAMEWORK

While the attitude of the Brazilian government towards philanthropy is not actively hostile, 'it would be naive to say it's favourable', says Ana Valeria Araujo. 'To be favourable, you have to support it, give it room to develop, provide incentives. Even the left-wing governments that we had didn't move a pencil to help the philanthropy world.'

This is the general view. Ana Toni refers to a 'tax deterrent, not a tax incentive'. It's cumbersome, she says. 'It's really hard to get Brazilian money

because of the tax issue. People already tend to give individually rather than institutionalize their giving and if they do institutionalize, they have to pay.’

### *The tax on donations*

The fiscal position on giving in Brazil is as follows: a tax must be paid on all donations (the amount of this varies from state to state, but the general legal principle is countrywide) unless the recipient is in possession of an exemption.<sup>31</sup> However, in over half the states in Brazil, you are exempted from paying tax up to a certain amount (again, the amount varies from state to state). The liability for paying this tax lies with the recipient. However, if the recipient manages to evade responsibility for payment, or if the donor voluntarily assumes it, the liability passes to the donor.

This state of affairs has a number of implications. First, if you are endowing or otherwise setting up a foundation, whether as recipient or donor, you are responsible for paying the tax on the amount you put in.

Second, while there is no fiscal *deterrent* to givers, neither is there any fiscal *incentive* to give (that is, donors can’t offset a proportion of what they give against their general tax liability, as they can in many countries). In the circumstances outlined above, it’s possible that would-be donors might be dissuaded from making donations because they don’t trust the recipient organization to pay the tax, in which case the government would be likely to come after *them*.

As far as recipients are concerned, there are tax exemptions, but the conditions governing entitlement to them are abstruse and hard to fulfil. Mariana Maier Nunes notes that there are ‘only tax advantages for NGOs that work in specific areas – for example, culture and children – so it’s very difficult and for most of them it’s a deterrent’.

Ana Valeria Araujo explains the process: ‘In order to get an exemption, you have to go through an extremely bureaucratic process – all sorts of certifications and approvals from different government departments are needed. When you finally get an exemption, you have to renew it annually. Brazil Human Rights Fund is now exempt from all the taxes it can be exempt

<sup>31</sup> To this already complicated picture, there are a number of specific exceptions, which allow different levels of exemption under different and very particular circumstances. Law 8.313/91, for instance (the so-called *Lei Rouanet*), which set up the National Cultural Programme, allows projects approved by the Ministry of Culture to receive sponsorships and donations from companies and individuals, which may deduct – totally or partially – the amount invested from their income tax. For a more complete picture of the intricate regulations governing giving in Brazil, the reader is directed to the pertinent section of the Council on Foundation’s website, at [www.cof.org/content/brazil](http://www.cof.org/content/brazil)

from, but it took four years and we have two people in the office who take care of renewing all those certificates. This is insane!’

The reason why this system has never been overhauled is that ‘this is a country that doesn’t recognize the kind of role that we play. All the traditional beneficiaries of philanthropy – schools, hospitals, etc – they have those exemptions. They have to go through the same procedures, but it’s much easier for them because, being a hospital, it’s in your name that you provide the service. And of course, they are much bigger and much richer, and they can afford staff dedicated to renewing their exemption. So it’s not a political thing, we are not under threat, but government doesn’t offer any kind of incentive to us and, if possible, it taxes us.’

Underlying this, feels Ana Toni, is the fact that government has never looked on philanthropy as a distinct or important sector. There was some move made to review this 20 years ago under the Lula government, but it stalled. In addition, the state of affairs has persisted because the sector itself has ‘never made as much noise as we might have done because I think people feel that philanthropy is a privilege, something the rich do ... and the rich don’t want to stand out for a tax incentive for the philanthropic sector as they are afraid that it would open up a national debate around increasing inheritance taxes’ (at present inheritance taxes and taxes paid by foundations on grants made to NGOs are both 4-5 per cent).

There is a footnote to be added to this and it constitutes a further cause of concern for NGOs. There is large-scale evasion of the tax on donations when it comes to small donations. This has produced what Andre Degenszajn describes as ‘a state of juridical insecurity’ for many organizations. Though the government has tended to turn a blind eye to this practice in the past, with the current fiscal crisis that may change, he warns. In theory the organization could be fined with a five-year retroactive effect, ‘so you’d have to pay taxes on all those donations over that five-year period. If it’s an organization that relies on small donations mostly, it could shut down, and that’s purely a financial issue, not a political one.’

### *Banking regulations hampering the growth of individual donations*

All these considerations aside, individual giving is growing, feels Ana Toni, especially to international organizations such as Greenpeace and Médecins Sans Frontières. But, as she explains, banking regulations make regular donations difficult. ‘If you want to give say BRL30 (around USD9) a month, you can’t set up a standing order in Brazil that will automatically pay that money to an organization. You have to go every month and tell your bank, “this month, I want to support Greenpeace again.” That’s not only very expensive for the organizations but obviously many donors don’t keep going back.’ She sees

obstructive regulation (even if it is not deliberately so) and the lack of fiscal incentives to donate as major impediments to realizing the potential of giving in Brazil.

### *Over-regulation*

Over-regulation rather than under-regulation tends to be the bugbear of the sector, says Toni: 'There is legislation that regulates the relationship between NGOs and government when you are contracted to provide services ... We are a civil law country – everything has to be regulated – result: bureaucracy. We are a very bureaucratic country. We have enough structure. We don't need more, we just need to make it work.'

Discussions with government about the regulations are not always productive. She notes recent discussions with government over introducing a badging system for NGOs that would distinguish them from other organizations. The NGO sector wanted to use this as an opportunity to open up the whole question of the sector's legal and fiscal status, but government restricted discussions, so NGOs were 'not able to move forward as much as we wanted'.

### *Lack of endowment legislation*

Paula Fabiani believes that 'having legislation for endowments is key to bringing long-term sustainability to philanthropy'. At the moment few foundations are endowed. This is not because legislation makes it difficult to set one up, rather it's the opposite problem, says Fabiani. There is no legislation governing endowments, which means that if you do set up an endowment, there is no legal means of protecting it. 'If the board decides to spend it all in two years,' she says, 'there is nothing to stop them ... So for donors, if you want your money to be legacy money, something that's perpetual, we don't have a legal structure to protect it. We don't have legislation for creating a trust, for example. You can make restrictions on what the money is given to, but not on the term in which it is spent.'

The straitened circumstances in which many third sector organizations find themselves also militates against the creation of an endowment. They are having trouble fundraising for current activities, Fabiani points out, 'so imagine trying to raise money for an endowment!' At the time of writing, Brazil had one of the highest interest rates in the world – 'people make a lot of money just leaving it in the bank, so why put your money in an endowment that's going to be managed by a third party or an organization's management?'

Finally, there is the fiscal deterrent noted before, whereby donors/recipients are required to pay tax on donations. 'That's a disincentive for an endowment too, because you'd have to pay a significant amount of money.'

## RELUCTANCE TO GIVE TO NGOS

The attitude of Brazilian society to traditional philanthropy and its recipients – ‘hospitals and so forth’ – is generally positive, believes Ana Valeria Araujo, and this largely accounts for most of the giving to NGOs noted earlier in this report. Andre Degenszajn also notes ‘a growing sense that people should be connecting to organizations that they trust and believe in the work that they do’. However, there are difficulties to overcome. Generally speaking, third sector organizations, even corporate foundations, ‘fall into a grey zone of the non-profit sector’. As a result, NGOs, particularly those that work in what are seen as politically sensitive areas, are being starved of funds.

There are two reasons for this. First, a general mistrust of either the probity or the capacity – or both – of NGOs. This is common to both institutional and individual donors. It is reflected in foundations’ habit of running their own programmes and in the fact that only 26 per cent of respondents to the IDIS *Picture of Giving* study thought that NGOs were trustworthy and only 10 per cent of those who did give to NGOs said that it was because they trusted the recipient organization.<sup>32</sup> ‘The lack of trust badly hurts philanthropic giving to NGOs,’ says Lucia Dellagnelo.

Second, there is widespread ignorance of what they do (for this, NGOs themselves are at least partly to blame), compounded by the fact that Brazilians expect the state to provide most of their welfare services. As noted above, only 2 per cent of respondents to the IDIS study said they give because they feel all should contribute to the solution of social problems.

### Mistrust

Ana Toni points to ‘politicians’ use of NGOs to launder money’ as a key factor in forming the public’s view. ‘You get headlines as if every NGO is the same; there is a lot of mistrust around the use of money.’ Amalia Souza explains why: ‘we live in a corrupt country, and for years the mass media has created an image of NGOs as being just as corrupt, and channels of corruption to bad politicians. Though these have been very specific cases, it has helped to augment this perception that NGOs are corrupt.’ A statistic taken from the IDIS report illustrates the extent of this: 44 per cent of the report’s respondents don’t think NGOs are transparent in their use of resources and 36 per cent think they are not trustworthy.

Furthermore, because ‘the non-profit world is an unknown thing’ for the Brazilian public, as Ana Valeria Araujo says, ‘they can’t identify the difference between one organization and another. They are all tarred with the same

<sup>32</sup> IDIS (2016) *Pesquisa Doação Brasil*.

brush.’ We’ve already noticed that, as well as being an impediment to fundraising from individuals, this mistrust also conditions the attitude of institutional philanthropy to the NGO sector, which is why they tend to run their own programmes rather than make grants.

It may also be that NGOs do not always possess the capacity that funders are looking for. At the 2012 Brazil Philanthropy Forum, Viviane Senna, who runs the family’s Instituto Ayrton Senna, noted: ‘We have to overcome the handicraft type of philanthropic work and gain scale. The organizations we initially tried to work with could not gain the scale we wanted.’

### *Ignorance*

Apart from the suspicion with which the NGO sector is viewed, as Araujo notes, there is another reason why NGOs have found it difficult to attract individual donors: their role is simply overlooked. ‘It is organized civil society with clear social justice agendas that has promoted the great majority of important and positive changes this country has seen since the end of dictatorship. But our society doesn’t really understand what role NGOs play,’ she says. ‘This is because NGOs are always backstage and never tell the story about how they fought to get things done. So most people who have rights now don’t know that those rights are the result of NGOs struggling for them. We need to explain that so people can understand that without a strong civil society, we don’t have democracy. Government is not enough, good or bad.’

João Paulo Vergueiro adds: ‘our society does not understand that NGOs are funded by donations’, and it is precisely to change that attitude of mind that the #diadadoar initiative was set up.

The vagueness about NGOs and what they do is compounded in the case of those organizations whose identity is not well established. As Araujo puts it, ‘Greenpeace, for instance, it’s easy to grasp what they’re doing – “Greenpeace saves whales” – but the Brazil Human Rights Fund, what do these people do?’”

In addition, she observes, ‘there is no really good source of research and information on NGOs. GIFE is the best so far, but it is still limited. More is needed. There is one research organization connected to the government (IPEA) which is very reputable and reliable, but it doesn’t do any work on the non-profit sector.’ Andrés Thompson also notes the lack of any ‘systematized and centralized information about philanthropy’.<sup>33</sup>

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<sup>33</sup> Andrés Thompson (2016) *Notes on Social Justice Philanthropy in Brazil*.

Some grantmaking institutions such as CASA are making efforts to map their grantmaking, and combining such efforts may help produce some of the necessary data the field is missing.<sup>34</sup> 'We have the knowhow, information and proven record to demonstrate the value and tremendous cost-benefit of direct funding to organized civil society,' says Amalia Souza.

## WHAT IS HOLDING BACK IMPACT INVESTING?

Both Celia Cruz and Daniel Izzo mention high interest rates as a problem, which means that the movement of venture capital in Brazil is really low – and this applies to all risky or entrepreneurial venture funds, not just impact investing funds. Brazilians are very risk averse, says Cruz, and interest rates have been very high, 'so there is little incentive to invest in social business when so much money is to be made through financial markets. "We don't 'rip' money," say these super-rich families. "If we can earn interest, why do otherwise?"'

Now that the base rate has gone down from around 12 per cent to 6.75 per cent, and is still going down, people need to look for other sources of return and may be willing to look at 'riskier' investments, says Izzo. 'This will make it easier to fundraise for alternative investments as a whole, including impact investing.'

Interest rates apart, Cruz feels business leaders are generally not willing to take risks. 'It's too early for them to test different instruments, and everyone is looking for social businesses that are already breaking even.' The lack of progress with impact measurement and financial return isn't helping as it means there is no evidence of success to encourage people to invest. However, ICE has a report on the topic and GIFE has just launched a book about foundations and impact investing, and family offices are starting to look at this area. 'If we can prove the case for impact investing, rich families might invest in businesses that create social impact for low-income people rather than companies catering to the super rich,' says Cruz. At the moment she sees more willingness among philanthropists in the US and Canada to experiment with new approaches.

Are younger people more willing to take risk? Many who are members of ICE haven't inherited yet, so a lot of them are not yet big investors. Parents are more risk averse. Many of the young generation have formed their own B Corps and families may invest in these companies. 'The super-rich are not 100 per cent committed to social change, in her view.

<sup>34</sup> <http://fortalecimentodecomunidades.casa.org.br/wp-content/uploads/2017/11/Ebook-Casa.pdf>

## WHAT IS THE POTENTIAL OF PHILANTHROPY IN BRAZIL?

GIFE's 10th Congress, held in April 2018, 30 years after the adoption of the Brazilian constitution in 1988, focused on democracy and sustainable development. José Marcelo Zacchi saw it as an opportunity to assess the achievements and shortcomings of 30 years of democratic experience, and to develop new agendas and new collective actions to implement these agendas in the future. 'All actors in the public sphere need to ask what they can contribute to this,' he says.

He feels the 10th Congress was a significant step. He cites a session on trends in philanthropy in Brazil which brought together WINGS, IDIS, Comunitas, the Philanthropy Network for Social Justice and GIFE. As well as the affinity groups on grantmaking and impact investing, mentioned above, 'we started a project looking at where the social investment sector could do more'. Topics recommended by the Congress include gender equality, racial equality, climate change, urban agenda, management of natural resources, public safety and security, improvement of public administration, migrations and refugees – 'I could go on'. 'We need to think about how the sector could work more on these issues,' he continues, 'bringing together foundations, funds and civil society actors. This is part of a larger effort to foster plurality of themes and agendas.'

Diversity and plurality are central to GIFE's focus. 'Good ecosystems are biodiverse,' says Zacchi. 'Individuals, families and companies are all needed, as are different approaches. If you are a retired doctor and establish a project to work directly on promoting public health, you can do it directly or in partnership with other foundations or NGOs, or you can make grants to NGOs and third parties for them to take action. These possibilities are all on the table.'

'Our aim is to achieve a more significant collective impact in many areas,' he continues. 'We are looking for improved cooperation between foundations and other organizations. If we are to have an effective, sustainable civil society sector, we must ensure we provide sufficient grants and resources to NGOs.' GIFE wants to support the Philanthropy Network for Social Justice in leading the way in fostering dialogue on new issues and new actors, grantmaking and supporting civil society. He also stresses the need for foundations to engage in advocacy – playing a role in public debate and engaging with other actors in doing this. GIFE needs to expand its members ('we are still far from having all corporate actors involved,' he admits) and work on governance and

transparency, etc, but ‘we need to keep in view promotion of democracy, universal citizenship, rights, etc.

‘I like to see the whole sector as an ecosystem,’ Zacchi concludes. ‘Rather than suggesting we should have one type of approach for the whole sector, we should see what contribution each part of the sector can make and what balance is needed between different parts of the sector and different roles.’

## THE POTENTIAL OF FOUNDATION GIVING

As long ago as the first Brazil Philanthropy Forum in 2012, which brought together IDIS, Global Philanthropy Forum, CAF, the Rockefeller Foundation, five Brazilian foundations and the Inter-American Development Bank, the lack of philanthropy to strengthen civil society was remarked on. In the view of forum participants, the promotion of a culture of giving, the creation of new tax incentives and the building of trust between foundations and NGOs could lead to a change in this situation.<sup>35</sup>

In terms of what institutional philanthropy can contribute, Paula Fabiani feels that, as elsewhere, it can ‘take risks, innovate, find new ways of doing things that can change public policy’. At the moment, the sector is still immature, she thinks: ‘foundations are doing their own projects, and some initiatives are not scalable. So even though we have foundations that are really innovating ... they are still very self-centred and many of them work on the same topics.’ She gives the example of education, as already noted a popular field for foundation activity. Despite this, ‘foundations have not been efficient in bringing systemic change’.

She therefore sees the need for greater collaboration. ‘There are examples of working together but when you look deeper it is really more a question of exchange of resources than of real collaboration – “you fund my project and I’ll fund yours” – not sitting together and thinking what we should do to change the educational environment in the country, for example.’

Lucia Dellagnelo does, however, see a new trend for important foundations to create joint ventures to broaden their impact that goes much further than the sort of cross funding mentioned above. She cites the Center of Innovation for Brazilian Education - CIEB, the non-profit that she currently leads, which was formed as a joint venture of six big foundations in Brazil (Instituto Natura, Fundação Lemann, Instituto Peninsula, Instituto Sonho Grande, Instituto

<sup>35</sup> Fernando Rossetti (March 2013) ‘Brazil enters the global philanthropy industry’, *Alliance*: [www.alliancemagazine.org/feature/brazilian-philanthropy-forum-brazil-enters-the-global-philanthropy-industry](http://www.alliancemagazine.org/feature/brazilian-philanthropy-forum-brazil-enters-the-global-philanthropy-industry)

Inspirare and Fundação Roberto Marinho). CIEB's focus is to promote an ecosystem of innovation and the use of technology to improve Brazilian public education. It has rapidly gained a reputation as a centre of reference; it has provided technical support to the Ministry of Education and played a significant role in the approval of a new national plan for educational technology.

### *The Sustainable Development Goals as a platform and template for collaboration*

We noted earlier some scepticism about the SDGs and their effect on philanthropy, but there is another side to the coin. Most of the respondents to the GIFE Census professed some degree of knowledge of the SDGs, with fewer than 10 per cent admitting to little or no knowledge and only 14 per cent saying they didn't use the SDGs as a frame of reference. Over half said they had plans to align current projects with the SDGs.

These findings are detailed in a recently published report, *Philanthropy and the Sustainable Development Goals: Engaging Brazilian private social investment in the global development agenda*,<sup>36</sup> which presents a mapping of SDG implementation in Brazil with support from philanthropy, business and civil society actors.

CASA Socio-Environmental Fund is one funder that has already aligned its work with the SDGs. 'All our grantmaking (not restricted to Brazil, but covering all of South America) is fully tied to the SDGs,' says Amalia Souza. 'Of all 17 indicators, I could say the only ones we do not totally focus on are 4 and 17. All the others are absolutely priority for us.' However, she cautions, 'from our experience, the only way to achieve even in part these goals is to invest directly in small and medium CSOs. To truly change the course and direction global society is going in, common people, the most vulnerable and excluded, need to be an absolute priority.'

### *Influencing policy*

Can philanthropy, as Fabiani suggests, promote change by influencing policy? Potentially yes, but Ana Toni sees a sector absorbed in its own work. 'In order to counter the threat to social and environmental legislation, we would need to stop doing whatever we are doing in our own different projects and prioritize a stronger movement of advocacy and empowerment. But instead most philanthropic organizations are in "business as usual" mode ... just going on and doing their work and their projects and ignoring the backlash in legislation in the social and environmental areas. It's hard to get people's attention to look

<sup>36</sup> SDG Philanthropy Platform (November 2017) *Philanthropy and the Sustainable Development Goals: Engaging Brazilian private social investment in the global development agenda*: <https://www.issuelab.org/resources/29380/29380.pdf>

at a bigger picture. First, it's a capacity thing, but second, Brazil at the moment is very polarized politically, so people would be seen as either against the government or in favour of the government and most philanthropic organizations prefer not to have an opinion so as not to compromise their possible political alliances in the future.'

The same self-absorption hinders the sector from pursuing a common agenda on its own identity and future. Toni believes the sector must 'unite among ourselves on common issues ... like the legislation on philanthropy, tax incentives, the bank issues. Even if we are very diverse, we need to unite on these issues because the differences between us are weakening rather than strengthening us.' GIFE she sees as a force for good in this respect, but she cautions, 'obviously it's an expression of its members' wishes. Movement needs to come from the philanthropic organizations themselves. GIFE can coordinate and incentivize, but it needs the common and the individual power of philanthropy organizations to come together.'

### *Stimulating grantmaking*

Amalia Souza feels that the example of the Philanthropy Network for Social Justice can stimulate grantmaking and help to create a more effective – and therefore credible – civil society. Its members have come together 'to demonstrate the incredible results we have had in our funding of civil society during the last 18 years. Our intention is to create bridges among sectors, to support the philanthropic culture of this country, to develop it by demonstrating that there are thousands of trustworthy groups that can handle direct funding, are totally accountable, and can produce lasting results with far less investment than large organizations or operating foundations ever will. It is a discussion that has barely begun. We do need to build evidence that is comprehensible to this audience. We need common spaces to exchange experiences, so that we can bridge this gap without which, I believe, none of us can really move forward.'

Graciela Hopstein agrees that the network members have a lot of potential to grow but 'we need more investment and we need more discussion about the concept, particularly with GIFE associates. We also need to discuss how to conduct grantmaking programmes that involve complex strategies and activities like monitoring and evaluation, capacity building, etc.'

### *What is needed to realize the potential?*

'I do believe that having legislation for endowments is key to bringing long-term sustainability to philanthropy,' says Paula Fabiani. Matters have begun to move forward. IDIS has been advocating for endowment legislation for the last four years and was the moving force behind a study group which has proposed draft legislation on the issue. At the time of writing, one bill to

regulate endowments for universities, 'some public entities (culture, health, environmental, etc) and CSOs' had been approved by the Senate, and another, to regulate endowments for public and non-governmental universities only, had been approved by the Chamber of Representatives.<sup>37</sup> 'The topic is trendier,' notes Fabiani, 'and some non-profit organizations are starting to build endowments.'

## THE POTENTIAL OF CORPORATE PHILANTHROPY

Is it possible to achieve social transformation through the voluntary action of companies in the social field or can this be achieved only through social policies implemented by the state? This is a frequently asked question, says Anna Maria Medeiros Peliano, and such alternatives are not mutually exclusive. 'The deprivation of excluded communities – the target of social investment (or corporate philanthropy) – is multi-dimensional; it goes beyond lack of income or access to basic social services,' she says. 'Literature and recent debates have emphasized that the problems of the poor are related to a lack of political representation, extreme vulnerability to economic and environmental shocks, and difficulties in accessing opportunities. To address these issues, a new model of development is needed that guarantees equal opportunities to all citizens. This means transformations in the country's social, economic and political structure which require the collaboration of governments, companies and non-profits, and society as a whole, if the change is to be long-lasting and effective.' As part of a collective effort, social investments by companies can help to promote change for excluded communities. Peliano notes that the companies that participate in the BISC direct 40 per cent of their investments to the development of education projects, considered a national priority for reducing social inequalities in the country.

Rafael Gioielli, while emphasizing that 'corporate philanthropy will not be a panacea for our social needs, given that the amount of money involved is not relevant when we analyse the size of the demands or even the public budget', nevertheless identifies two ways in which corporate philanthropy can be significant. The first is through social innovation, when it can work with the government to develop new ways of dealing with social demands. The second is by transforming the companies themselves, making them more responsible and socially driven: 'there will be much more impact if a company adopts a policy of gender diversity, paying equal salaries, than if it simply supports a

<sup>37</sup> Under the Brazilian constitution, either chamber can initiate legislation, though draft bills and any subsequent amendments must be approved by both and then by the president.

social project to foster women's education but maintains unequal conditions inside its walls.'

### *What is needed to realize the potential?*

To realize the potential, says Gioielli, 'we need to understand better how to align social and company outcomes. Understanding better how the company can generate social outcomes and how philanthropy can generate results for the business will make philanthropy more sustainable and make the company itself a "social benefit generator". This may sound a bit romantic, but I feel that it is the best way of doing corporate philanthropy (which will not solve all the social demands).'

He rejects as 'wrong' the claim that companies are colonizing philanthropy when it is aligned with the business. In his opinion, this doesn't mean that the business is 'colonizing' the small budget of a foundation or institute: 'it means that there is a chance for the institute to bite a piece of the company's budget.'

It is not enough to design and implement good social projects, Peliano emphasizes. 'Companies should be aware of the possibilities of promoting the empowerment of the communities themselves,' she says. 'Moreover, since inequality is a political problem, companies need to extend their participation in the field of public policies, demanding changes and helping to build an agenda of social commitments to be assumed by the state and by society. Social investments should thus be an integral part of a broader process of addressing national and global problems, and aligned with domestic public policies and international commitments to sustainable development. Such integration is essential to broaden the reach, capillarity, and scale of private social projects.'

Like Gioielli, she stresses the importance of innovation. 'Companies must be committed to innovation,' she says. 'We need to break the inertia, create different paths from the habitual ones, and adopt new patterns of action more relevant to the reality of the contemporary world.'

## **THE POTENTIAL OF IMPACT INVESTING**

Both Daniel Izzo and Vivianne Naigeborin see huge potential for impact investing in Brazil, and for both inequality is a key driver for the field. Izzo sees the situation in Brazil as 'very favourable for impact investing'. Despite being one of the largest economies, Brazil is among the 10 most unequal countries in the world. Low- to moderate-income families represent two-thirds of the Brazilian population and are largely underserved in their basic needs, such as education, health, housing and financial services. 'Government is present in all those sectors but fails to deliver universal coverage as well as to assure the good quality of the public services provided,' says Naigeborin. 'This is a huge

opportunity for people who want to improve the lifespan of low-income people, create services for them, give them economic power,' says Izzo. 'There is increasing interest in the field. We just need to demonstrate that results are coming.'

In the last few years, says Naigeborin, 'pioneer Impact businesses have started to show that they can contribute to solve those gaps, offering innovative, low-cost, high-quality products and services that complement the public offers. Technology has been playing a key role, as it helps in accessing a larger number of people and in lowering costs. Additionally,' she says, 'a new generation of business entrepreneurs is flourishing. Young highly educated entrepreneurs who are looking for purpose as well as profit. Between making money and changing the world, they choose both.'

Celia Cruz sees the potential for impact investing to be 'a huge ally for creating models of business that can create large-scale impact for low-income families in Brazil' but she is also concerned 'to make sure families will continue to donate for strong NGOs. Impact for a better Brazil can be created by NGOs or by business,' she says, 'I don't care about the legal format.'

Andre Degenszajn, too, voices a caution that 'the development of social business might be in competition with the NGO sector rather than a supplement to it – although this wasn't the intention. The discourse was for additional resources, but there is a danger of drawing resources away from philanthropy to social business.'

### *What is needed to realize the potential?*

'Track record, examples, a more optimistic view on the Brazilian situation,' says Daniel Izzo. 'There is a wide understanding of what impact investing is, and most people do now accept that they will have to be part of it some time soon, but that's different from people acting. They don't know how, but they're ready to go if the conditions are right, we're close to that.'

Advances in impact measurement would help. 'Impact measurement is still lagging and this should be a concern. There isn't enough effort to get it right.' The UK initiative Impact Management Project is helping people to find a framework for measuring impact, says Izzo. 'In a few years people will be using the same framework for talking about impact. The analogy is pretty much like washing dishes: everyone knows it's important but no one wants to do it.' Mostly impact measurement is a push by funds to get businesses to measure outcomes and impact. Most studies show that impact investing is successful, he says. 'McKinsey, Cambridge Associates – all show you can get the same returns on impact as on traditional investment. But the narrative is still around the financial outcomes not the impact outcomes.'

As a new field, there is still a lot to be developed, says Vivianne Naigeborin, who identifies four key points:

- 1 Bring government on board.** Impact businesses work in sectors where the government has leadership and a critical role to play such as education. Over 90 per cent of low-income children and teenagers go to public schools, so businesses that focus on improving the quality of education for this target population will be successful only if they are able to work side by side with municipal, state and federal governments.
- 2 Develop a more diverse range of investment mechanisms, especially for early stages.** The mechanisms we have today have been mostly adapted from the traditional markets where the expectations of return are very different, in terms of time and size. The impact investing field needs more patient capital, including a combination of grants and for-profit investments. It also requires more seed investors willing to take bigger risks together with the entrepreneur. Additionally, investors need to look for longer-term returns balanced with social impact returns.
- 3 Establish appropriate evaluation metrics** that are easy and not too expensive to collect and that can clearly demonstrate the social impact.
- 4 Develop and systematize successful business cases** that reach scale and achieve profitability with great social impact. The more success stories emerge, the more investors and other entrepreneurs will look for opportunities to engage in this field.

Celia Cruz stresses the importance of technology. 'In Brazil we aren't looking at its potential to solve social problems for large-scale populations in areas like health, education, financial inclusion, social mobility' – though there are good examples like Geekie (see above). 'In San Francisco people are developing drones to deliver pizza faster and robots to help people clean their houses. They are developing technology to keep us safe from former prisoners by tracking them rather than looking at how to engage them in education, better health and training. How about delivering vaccines in Africa faster and better? How can technology affect the poorest of the poor? So this is the potential but it's far away.'

Lucia Dellagnelo echoes this. 'I think that among young Brazilians technology is becoming the main tool for giving and philanthropic engagement. The Social Good Brazil movement, which I co-founded in 2012, is growing fast and it promotes the use of technology to solve major social problems. While some

participants choose to promote social change through NGOs, others are creating businesses and they are looking for investors.'

### *Making impact investing less elitist*

In Daniel Izzo's view, one key thing that is lacking is less elitist financial products. 'At present the financial products we are offering, based on Brazilian regulator CVM, are only for registered accredited investors – people who have BRL10 million (around USD3m), now 4,000 people. There is a huge opportunity and demand for better financial instruments,' he says. 'When we can crack this and bring in retail investing, then the boom will come.'

Are new financial regulations needed for this? At some point yes, 'but things can be done even without this if we are creative. Fighting for new legislation is too long an endeavour and with no clear outcome. We're investing time and efforts in developing different asset classes.'

He stresses that there is a demand for this. From 2016 on, he says, 'people have been finding our website and emailing us two or three times a week asking if they can invest in us – people with as little as BRL3,000 (around USD900). They want to invest in impact, and right now, but they can't do it. So it's our responsibility to try to include more people and be more democratic.'

Does this amount to crowdfunding for impact? 'We have a Broota equity crowdfunding platform here, but not specifically for impact,' says Izzo. 'We will be trying it, a big yes. Even if crowdfunding is small now, it's not going away. It's going to be big in future. Everything that involves distributing and decentralizing is bound to grow. People usually talk about impact in terms of who you serve but impact is also about who you give access to this type of investment. For me it's a weird agenda if only the wealthiest of the wealthy can choose to invest. And there are huge financial possibilities as there are so many people with smaller amounts of money. In five years we will have many more options to invest in,' he concludes.

## **THE POTENTIAL OF INDIVIDUAL GIVING**

All respondents agree that individual giving can play a much bigger role than it currently does in supporting an independent civil society. One of the sector's greatest needs, therefore, is to create a culture of giving to NGOs. Ana Valeria Araujo notes that, in principle, the Brazilian public can support social sector organizations through small-scale philanthropy 'because we are a rich country, people have money, at least half of the population is politically engaged with some cause and there is a willingness to see change'. Ana Toni likewise agrees that potentially 'there is a huge number of small donors', though, for the reasons outlined above, it has proved hard to mobilize them. #diadedoar is

a move in the right direction, however, and at the time of writing IDIS was launching a campaign to promote a culture of giving. ‘We need more good news to create this sense of movement,’ says Paula Fabiani. ‘We need some champions.’

João Paulo Vergueiro acknowledges that it is too early to say that ‘there is a changing public attitude to giving in Brazil’, but he notes hopeful signs. A human rights NGO told him that they had 25 new regular donors as a result of the 2016 #diadadoar. To put this in perspective, the NGO previously had 100 regular donors, so this is a 25 per cent increase. Vergueiro believes that #diadadoar is ‘a window of opportunity for NGOs that work in different areas, like human rights, minorities, etc, to promote themselves and their fundraising work. A celebration of giving like #diadadoar will make people more open to giving to other causes, not just traditional ones.’

Nina Valentini sees huge potential for Arredondar – the scheme whereby shoppers can round up the value of their purchase in participating stores, the money going to NGOs. ‘We grew three times bigger in terms of volume of donations from 2016 to 2017,’ she says, ‘and we expect to grow three times more this year. With the support of Google Foundation, we are investing in new kinds of technology to reach scale all over Brazil in the next three years.’

Mariane Maier Nunes feels Brazil is ‘definitely moving from a charity model towards social justice philanthropy’ and she sees information technology as playing an important part in that. ‘Social media is becoming important,’ she says. ‘When people care about an issue, they share it online, on Facebook, etc, so for sure that sort of development is going to play a huge role.’

### *Fundraising from the public*

Though some organizations have enjoyed success from fundraising campaigns, these are mostly international NGOs like Greenpeace and Médecins Sans Frontières. They are international brands; they have a big infrastructure and the experience to run campaigns successfully. However, these examples show that it *is* possible and many local organizations are trying to follow suit – some of them with considerable success, says João Paulo Vergueiro. GRAACC, a children’s cancer hospital in São Paulo, has over 150,000 recurrent donors, while Fundação ABRINQ, which makes grants to children’s organizations, has 35,000. ‘Even in Natal, a city in the north-east of São Paulo, Casa Durval Paiva has 20,000 recurrent donors. And if we include religious-based non-profits, the numbers are even bigger. Santuário Nacional, for example, has over 450,000 donors.’

Most NGOs that attract large amounts of individual giving are well-established ones that have a high public national-level profile, says Amalia Souza. Among

them, she says, 'are many international NGOs that were established in Brazil precisely to capture this new fundraising potential with high-profile patrons and prime-time TV campaigns.' Souza takes a negative view of the role of these international NGOs: 'many Brazilian NGOs that have struggled so much see their new opportunities usurped by international NGOs with well-established structures and the experience to capture public attention to their causes.' But there is also a good argument 'that international NGOs, with their expertise from other countries, help build the culture of giving in Brazil, which is much needed', says Ana Valeria Araujo.

The Brazil Human Rights Fund is embarking on fundraising, she reports. 'Over the last two years we've been investing money in campaigns and communications. Of course, it's going to take us a long time to get there.'

But Souza is pessimistic about the opportunities for social justice NGOs. In her view, the positive agendas that crowdfunding or international NGOs raise money for appeal to the public. If you are talking about protecting minority rights, repairing damaged rivers, creating opportunities for displaced communities, and an array of other crucial agendas for the country, the complexity level makes it difficult to engage the general public. So the fact that individual giving has a potential to grow exponentially in Brazil still leaves struggling social justice NGOs very much out of the picture.'

### *What is needed to realize the potential?*

Key to realizing all this potential, as noted by both Ana Toni and Ana Valeria Araujo, is the NGO sector reaching out more actively to the public. 'At the moment we only think about engaging with the government,' says Toni, 'but I think philanthropy needs to dialogue with society itself.' Araujo agrees that the onus is on NGOs, especially rights NGOs, to make their case to the Brazilian public, and argues that the time is ripe. Quoted in Andrés Thompson's report,<sup>38</sup> she says, 'The political atmosphere and unrest among citizens indicates that people want a better country and are willing to do something to make that happen. It is now our job, along with other rights organizations, to show them how.'

Lucia Dellagnelo stresses the need to strengthen NGOs in Brazil and improve public trust in them if fundraising efforts are to be successful. One relevant initiative is ICOM's Transparency Portal for NGOs ([www.portaltransparencia.org.br](http://www.portaltransparencia.org.br)), which aims to increase their accountability. Although the information presented in the portal is quite basic, most NGOs need intensive training in order to present their data, she says.

<sup>38</sup> Andrés Thompson (2016) *Notes on Social Justice Philanthropy in Brazil*.

For Nina Valentini, thinking about the potential for expanding Arredondar, there are three big challenges. The first is tax. 'We have to pay taxes even on micro donations – and there are 10 states with such complex legislation that it is impossible for us to operate.' The second problem concerns engaging retailers, 'which has been quite challenging even though it doesn't cost anything for them to become partners with us. Part of the reason is probably cultural, in other words giving is not part of the day-to-day life of the business world. This leads us to the third challenge. Brazil is undergoing a huge crisis, both political and economic. People have lost their trust in institutions, especially when it involves collecting money. It requires a big effort to build the trust of society. It costs a lot to invest in communication, publicity and transparency. As an NGO, we don't have resources to spend on campaigns.'

### *Working with the banks*

One thing that could help is recognition by banks of the non-profit sector as a sector with specific needs. At present Brazilian banks have no specific structure for recurrent donations or protocols for opening up bank accounts for non-profits, and banks even refuse to give credit cards to NGOs.

'We want the banks to understand that donations and payments are distinct transactions and therefore create specific products for NGOs to use,' says Vergueiro. 'We also want to be able to know how much actually goes through the banks in Brazil every year as donations. Without this, the banks will never see us as an economic sector and will keep seeing NGOs as pure charity rather than a market where they can actually profit by helping it grow.'

A year ago ABCR joined forces with major NGOs in Brazil to start a movement to create a Bank Framework for Giving (Marco Bancário da Doação). Foundations and philanthropists are supporting it, and the initiative has received a grant from the BIS Fund. It has now hired a major law firm in Brazil to help develop the proposal and take it to the Brazilian Central Bank in the next months, says Vergueiro.

To conclude, there is a need not only to stimulate giving to NGOs, but to change what Amalia Fischer calls the 'paradigm of giving' so that it becomes more than a compassionate reflex based on traditional notions of charity, rather a conscious act of responsible citizenship, helping to support an independent civil society. If this paradigm of giving is to be reached, Brazil will need an ecosystem to foster a culture of philanthropy, including a proper legal framework for donations and tax incentives for individual giving.

## PEOPLE CONSULTED FOR THIS STUDY

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