

Brazil

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among
Wealthy Individuals in Latin America



Brazil at a Glance

Population

200.4 million

GDP

US\$2.246 trillion

GDP growth rate

2.5%

GDP per capita

US\$11,208

Gini index

52.7 (2012)

UNDP Human Development Index

0.744 (79th of 187 countries)

Social Progress Index

69.97 (46th of 132 countries)

Poverty headcount ratio at US\$4/day

23.8% (2011)

Poverty headcount ratio at US\$2/day

8.2% (2011)

Poverty headcount ratio at national poverty line

8.9%

Unemployment total (of total labor force, national estimate)

6.7% (2011)

All data from World Bank and 2013 unless otherwise noted.

Brazil: Country Context

With a GDP of US\$2.246 trillion in 2013, Brazil is the world's seventh wealthiest economy.¹ It is the largest country in area and population in all of Latin America and is rich in both natural and human resources. When twenty years of military rule ended in 1984, it ushered in the current period of democracy and economic liberalization. Over the past 30 years the government has instituted numerous policies to promote economic growth and reduce public spending. Despite an economic slowdown in 2011 and 2012, when GDP growth decelerated from 7.5 percent to 0.9 percent, the past two decades have witnessed steady economic growth and significant improvements in social well-being.²

The country's economic growth brought about concomitant increases in private wealth, which is highly concentrated in a small portion of the population. According to 2013 World Wealth Report data, there are 172,000 HNWIs in Brazil holding more than US\$4 trillion in wealth.³ In the same year Forbes named 124 individuals in Brazil as billionaires. Their combined wealth was reported to be R\$ 544 billion (US\$206 billion), or nearly 10 percent of Brazil's 2013 GDP.⁴ Together, the 15 richest families in Brazil hold wealth worth an estimated US\$122 billion or about 5 percent of the country's GDP.⁵ Many of the country's largest companies (including 6 of the 10 largest conglomerates) are family-controlled.

Over the last decade, Brazil's poverty has decreased dramatically. This is generally attributed to national economic policies focused on growth and the *Bolsa Familia* (Family Grant) program, the world's largest conditional cash transfer program, which has reached approximately one-fourth of the country's total population.⁶ From 2003 to 2009, the number of Brazilians living in poverty (on less than US\$4/day) fell by more than 15 percent to 27 percent. And the rate of those living in extreme poverty (on less than US\$2/day) dropped from 19 percent to less than 10 percent over the same period.⁷ However, while livelihoods have generally increased, Brazil continues to experience pronounced income disparities. Brazil's Gini index of 52.7 is second highest in Latin America and is 14th overall in the world.⁸ While economic liberalization has ignited the business sector, personal gains have been unequal and the country's tax and social policies have not mitigated economic and social inequalities.

Philanthropy and Social Investment in Brazil: Key Features and Trends

Centuries of cultural traditions, religious norms, political influences, and economic conditions have significantly influenced today's environment for private giving and social investment in Brazil. In recent decades, severe cutbacks in government services, widespread political reform, and changes in government policy have redefined the roles and responsibilities among the state, the commercial marketplace, and civil society. These changes have generally created more room for individuals and nonprofit organizations to become more active and engaged in the country's social development. At the same time, international foundations have deliberately tried to promote and influence civil society and philanthropy. More recently, Brazil's political stability, economic progress, and personal wealth accumulation have provided a foundation for philanthropic growth. Though the environment for philanthropy continues to evolve, several key features and trends of the philanthropic landscape are notable.

Scale and Scope of Giving Largely Unknown

As in most countries, the scale and scope of private giving and social investment in Brazil is unknown; there is no comprehensive data on individual or institutional giving in the country. Yet despite the lack of data and analysis, there is a widespread consensus that private giving is growing, becoming more institutionalized, and increasingly addressing the country's social challenges.

In a 2012 census conducted by *Grupo de Institutos Fundações e Empresas (Group of Institutes, Foundations and Companies or GIFE)*, members reported social investments totaling approximately R\$2.2 billion (US\$833 million) and indicated a generally steady growth in levels of giving.⁹ *GIFE* membership comprises primarily corporate foundations and those from the largest Brazilian cities, and as Ana Carolina Velasco, the relationship manager at *GIFE*, points out, social investment by private families and in other parts of the country is relatively unknown and likely underestimated. In addition, a research study from 2001 estimated that almost half of the grantmaking institutions in Brazil had been founded in the previous decade.¹⁰

Many believe that private social investment is poised for continued growth. While the country's economic progress and the attendant growth of personal wealth is expected to continue, persistent economic and social inequalities remain a growing concern. On the positive side of the ledger, an increasing number of social investors are demonstrating the

potential of private actions to address the country's challenges, and there is a growing infrastructure to support, encourage, and advocate on behalf of the philanthropic sector.

Political and Policy Environment Seen as Challenging

For the most part, Brazil has a favorable policy environment for broad civil society and civic engagement, but legislation and tax incentives do not promote philanthropic giving.

The post-1984 emergence of democracy and economic liberalization heralded the growth of civil society in Brazil. Recognizing that government could not meet the needs of all citizens, government, business and civil society have become increasingly engaged in discussions about the role of private engagement. As a result, the permissible scope of CSO activity, in terms of both service provision and policy advocacy, has increased significantly. The number of CSOs tripled between 1990 and 2000, and today the number of nonprofits is estimated at around 290,000 organizations.¹¹ At least two-thirds of these are less than 20 years old and over 40 percent are located in the main cities of the southeast.¹²

GIFE's director Andre Degenszajn describes Brazil's regulatory and tax policies as extremely challenging to the creation of a favorable environment for philanthropy, particularly for individual giving. Individuals can contribute to projects in a limited number of issue areas such as culture, sports, and children; and these contributions are limited to 6 percent of income tax to be paid.¹³ The lack of individual tax incentives is compounded by tax disincentives: a state tax of approximately 4 percent of the contribution applies to all donations above US\$25,000.¹⁴

Paula Fabiani, CEO of the *Instituto para o Desenvolvimento do Investimento Social (Institute for the Development of Social Investment or IDIS)*, emphasized that legislation regarding endowment creation was particularly challenging. In addition to the mandatory state tax, it is administratively burdensome to create an endowed institution and even after doing so, it is not fully protected. For example, the government has the right to change the trustees and thus influence the mission and direction of the institution.¹⁵ Led by *IDIS*, philanthropic leaders in Brazil are currently advocating for a more favorable endowment law that would provide better tax incentives and protect philanthropic endowments.

“I was hugely influenced by my mother, who was always involved in the NGO movement in Brazil.”

Dario Guarita Neto

“When you look at our family tree, many were very philanthropic; they were always helping others less fortunate.”

Ana Lucia Villela

Infrastructure to Support Giving and Social Investment

Grupo de Institutos Fundações e Empresas (Group of Institutes, Foundations and Companies, or GIFE). Created in 1989, GIFE now has more than 130 participating members contributing approximately R\$2.2 billion (US\$833 million) to social good through program operations, philanthropic funding, and other social investments. GIFE operates with a mission to “refine and disseminate concepts and practices in the use of private funds for the development of the common good.” The network promotes the growth and strategic development of Brazil’s philanthropic sector through several activities: the Congress GIFE (GIFE’s biennial conference), member learning and networking events, advocacy for a more enabling legal environment, and publications to build and improve the practice of philanthropy.

Instituto Azzi (Azzi Institute). Out of his desire to reduce economic disparity and encourage effective social sector investments in his home country, Brazilian philanthropist Marcos Flávio Azzi founded the Azzi Institute “to improve and promote the culture of giving in Brazil with strategic vision and focus on results.” The Azzi Institute helps individuals and families to create positive social impact through a rigorous strategic process beginning with the motivations and goals of the donor all the way through the identification, vetting, and funding of a high-performing organization. These services seek to develop and scale the practice of grantmaking, and ultimately achieve social and environmental development in Brazil.

Instituto Geração (Generation Institute). Founded by Daniela Nascimento Fainberg, the Generation Institute is a nonprofit organization that encourages and supports the new generation of privileged individuals to re-think their roles and practices with regard to social change. The Institute seeks to broaden and deepen individuals’ understanding of Brazil’s social realities and help them identify how to apply their passions, motivations, goals, and skills to improving the world around them. By inviting individuals to rethink their practice, the Institute helps align dreams and values with social action, finding new opportunities for HNWLs to engage in social change from where they are.

Instituto para o Desenvolvimento do Investimento Social (Institute for the Development of Social Investment, or IDIS). For more than 15 years, IDIS has coordinated research, hosted workshops and conferences, and provided technical expertise in support of its commitment to social development through private social investment. Together with the Global Philanthropy Forum, IDIS has co-hosted the annual Brazilian Philanthropy Forum since 2012 to generate connections and conversation around the country’s philanthropic sector, drawing more than 100 social investors from around the country. IDIS also released a documentary film in 2013, *Strategic Philanthropy – The Future is Now*, highlighting Brazilian philanthropists’ motivations, efforts, and practices.

Worldwide Initiatives for Grantmaker Support (WINGS). A global initiative launched in 2000, WINGS institutionalized operations in 2010 founding its headquarter office in São Paulo, Brazil to coordinate its vast network of participants representing 54 countries. WINGS produces in-depth research on global philanthropic issues, acts as a convener, and provides philanthropists around the world with a community of practice in an effort to build a strong global philanthropic community. Although WINGS’ work is not concentrated specifically in Brazil, its decision to launch in the Global South was strategic according to its Executive Director Helena Monteiro, in “representing philanthropy groups there and developing contacts in Latin America, Asia and Africa.”¹⁶

“Victor Civita was a visionary, a doer, a problem solver. Philanthropy was always a family value and it’s also a family legacy.”

Carol Civita

“There is no better way to strengthen family bonds.”

Osmar Zogbi

“The Fundação Otacílio Coser builds a bridge to the new generation. They are interested in ‘business with greater purpose than profit’ and the Foundation helps us to address these interests, besides the business values.”

Bernadette Coser

A Strong Distinction between Charity and Social Investment

There is a strong distinction between charity and social investment in Brazil. Indeed, many individuals suggested that the two co-exist but have little in common. Charity (and philanthropy, for some) is understood as short-term relief: a way to alleviate suffering and meet the immediate needs of the poor. Social investing relates to investments of financial and other resources to address systemic problems and create positive, lasting change. Most people interviewed saw both charity and social investing as necessary, but different.

The distinction relates in part to historic patterns of giving. From colonization by Portugal in 1500 until the 19th century, philanthropic activities were predominantly associated with the Catholic Church. Wealthy individuals and families provided donations to the Church to support its education, health, and social services for the poor. In the 20th century a few wealthy families established some of the country’s first private foundations. These foundations, too, tended to focus on providing direct services to the poor, primarily to employees’ families and the communities in which they worked.

In the 1990s corruption scandals involving the government and some civil society organizations tainted the word “*philanthropy*” for many. Philanthropy came to be viewed by many as a potential form of tax evasion. Today, the majority of people still seem to associate charity and philanthropy with immediate assistance to the poor and some think such giving, while not seeking systemic solutions, maintains and reinforces economic and social inequities.

Corporate Sector a Leader in Social Investment

There is a general perception that social investment in Brazil is largely occurring in the corporate sphere, and that this sector will continue to be the driving force for social investment. At the same time, it is widely acknowledged that the distinction between corporate and private giving is imprecise, as it is difficult to separate corporate and family philanthropy in family-controlled corporations in which family members lead both corporate and philanthropic activities. Indeed, among those interviewed there was not always consensus around whether a specific foundation should be categorized as a corporate or family endeavor.

There are several reasons offered for corporate dominance of the philanthropic sector. As indicated above, individuals are more encumbered by regulations and receive fewer tax incentives to give than corporations. In a global economy, business leaders are exposed to evolving ideas about corporate social responsibility as both a duty and a sound business strategy. Within Brazil, CSOs have put pressure on Brazilian businesses, perhaps most particularly those in extraction industries, to address the social and community impact of their businesses.

Despite these issues and challenges, there appears to be significant individual and family engagement in social investing. *GIFE*’s non-corporate membership is growing and now includes 20 family foundations. Among the study’s limited sample, the majority of individuals are involved with social investment institutions that do not have a formal relationship to a corporation. Also, as mentioned earlier, there may be significant, if unknown, private social investment in other regions of the country.

A Strong Infrastructure to Support Social Investing

In Brazil there are several strong organizations and platforms that support and promote giving and social investment, and this infrastructure appears to be growing and diversifying. Two prominent groups, *GIFE* and *IDIS*, were established in 1989 and 1999, respectively, and have helped to build the sector and its visibility for many years. Several other organizations have since been established and collectively these organizations provide a range of resources and services. For individuals and institutions, they provide individualized services and support, opportunities for peer- and expert-learning, and the potential to explore collaboration. They are also critical to the development of the sector, advocating for a more favorable legal environment and developing the social investment knowledge base.

Philanthropic Motivations and Influences

In this study's research, the motivations identified for giving were diverse but generally clustered into four broad areas: family values, social and moral responsibilities, passion, and a concern for Brazil's future, with individuals most often motivated by a combination of these factors. And while religion was often mentioned as a strong influence on giving in Brazil, it was infrequently cited among this study's participants. When prompted, some individuals agreed that it was an important component of family values.

Giving Reflects and Reinforces Family Values

Almost without exception individuals who were interviewed emphasized the strong influence of family values, traditions, and upbringing on their giving. Over 75 percent of survey respondents identified family values as either important or very important. The value most often identified was the importance of helping those in need. Particularly among those who were raised in wealthy families, many cited the impact of role models, including parents, grandparents, and other family members in shaping their philanthropic activity.

Philanthropy was also described as a way to intentionally reinforce family bonds and values. Several individuals noted that for many decades a family-owned and operated business kept families connected and working together. Today, some of those businesses are being sold or the younger generation is less involved. Thus, giving through a foundation or other institutional structure can be an especially important way to maintain family bonds, reinforce values, and connect with younger generations. Dario Guarita Neto, a third generation member of the *Fundação Maria Cecília Souto Vidigal* (*Maria Cecília Souto Vidigal Foundation* or *FMCSV*) explained that when his grandfather died the family-owned business was sold. *"The Foundation has become the mechanism to unite the family. Everyone is excited and proud of the Foundation."* The Foundation has purposefully established governance structures to include extended family and multiple generations.

In addition, philanthropic giving is seen by some as a legacy. Over 75 percent of survey respondents identified legacy as either an important or very important motivator. Related to the point above, Daniela Nascimento Fainberg, a philanthropic advisor to families and individuals and founder of *Instituto Geração* (*Generation Institute*), noted that historically, corporations have been family legacies: when they are sold, a family foundation can become an innovative way to create a lasting family heritage.

A Strong Sense of Social Responsibility and Moral Obligation

Almost all of those interviewed in Brazil expressed a belief that giving is a social and moral responsibility, and 100 percent of survey respondents identified responsibility as either an important or very important motivator. This appears to include concepts of duty, conscience, obligations – and sometimes guilt – of the economically privileged to help those in need. For many who grew up with great wealth there are questions of *"why me?"* when so many others suffer. For individuals whose giving is connected to a corporation there is a sense of responsibility to give back to the communities in which the firm operates.

Personal Passions Ignite Giving

Many of those interviewed felt a deep commitment to a specific issue, cause, or population. Close to 90 percent of survey respondents indicated that they were motivated by *"a strong connection to one or more causes or issues."* One's passion can often be directly related to a personal experience, such as an illness or tragedy that someone in the family suffered, or by an inspirational experience.

“Poverty and social disparities remain huge. It is up to each of us to work towards final eradication of poverty in Brazil. We must keep fighting for a fairer world.”

Osmar Zogbi

“[We are] committed to our country, all of its peoples, and closing the gap between rich and poor.”

Viviane Senna

“People are beginning to embrace their roles as citizens and taking part in society. I see families as much more concerned with investments that will help with the development of Brazil.”

Bernadette Coser

Filipe Sabara, founder of the NGO *Associação de Resgate à Cidadania por Amor à Humanidade (Association for the Rescue of Citizenship through Affection towards Humanity or ARCAH)* described how early childhood experiences developed his passion to help those in acute need, particularly the homeless and those with mental illnesses. This passion was strengthened and fueled by people he met – both those in need and those committed to helping them – and profoundly shaped by a visit to San Patrignano, a drug rehabilitation community in Italy. These experiences contributed to Sabara’s founding of ARCAH, an ambitious initiative that provides housing, services, and rehabilitation to those in need.

José Carlos Reis de Magalhães, Chairman and CEO of *Tarpon Investimentos (Tarpon Investments)*, talked about his passion and commitment to align every aspect of *Tarpon Investments* with creating a positive social impact for employees and communities in which they work. He made no distinction between business and social investment, saying, “*We have to invert the logic. We can’t think about money first and then how we give back. We need to start with values and what we want to achieve, and then think about how to make a profit.*”

Contributing to Brazil’s Sustained Growth

Family values, responsibility, and personal passions may provide the cornerstones of giving, but for many these motivations seem to blossom from the belief that, as individuals, they can and must contribute to Brazil’s future. Individuals expressed a strong confidence in the direction of the country, a deep concern for the challenges it faces, particularly poverty and inequity, and a belief that the state is not able to resolve these challenges by itself. Furthermore, they voiced the opinion that wealthy people with the capacity to contribute must actively work to address these challenges and contribute to the country’s stability and success.

What augurs well for philanthropy in Brazil is the pride that individuals expressed about Brazil’s economic growth over recent decades, as well as their desire for Brazil to become a strong nation and global actor. At the same time, the absolute number of people living in poverty and the vast inequality between the wealthy and the poor is widely seen as “*both morally wrong and bad for the country,*” as one interviewee described. Osmar Zogbi, advisory board member of the *Instituto Ayrton Senna (Ayrton Senna Institute)*, emphasized that “*Poverty and social disparities remain huge. It is up to each of us to work towards final eradication of poverty in Brazil. We must keep fighting for a fairer world.*” Similarly, Viviane Senna, president of the Institute, stressed that she and her family are “*committed to our country, all of its peoples, and closing the gap between rich and poor.*”

For some, their visits to other countries have instigated or reinforced their views about the importance of being a global citizen. Several noted the influence of such exposure to new ideas, particularly concepts such as entrepreneurship and civic engagement. As Bernadette Coser, chairwoman of the *Fundação Otacílio Coser (Otacílio Coser Foundation or FOCO)* noted, “*People are beginning to embrace their roles as citizens and taking part in society. I see families as much more concerned with investments that will help with the development of Brazil.*”

Corporate Goals Infrequently Cited

Corporate motivations and goals were rarely mentioned during interviews, even when individuals were prompted to consider them. Bernadette Coser reflected on this issue: “*Our family has talked directly about this. In the beginning, there was confusion between company and family giving, with both company and individuals providing funds. Five years ago, we decided the foundation would be maintained by the companies only, but it would reflect the family’s values.*”

Perhaps remarkably, among survey respondents not one person identified business concerns as a motivation. While this is likely due in part to the composition and size of the research cohort, it is worth noting given the emphasis on corporate giving in Brazil.

Philanthropic Priorities and Purposes

In recognition of the motivations identified, and particularly the desire to help build an equitable, stable Brazil, it is not surprising that many individuals focus their social investments on initiatives that they recognize as key to the transformation of Brazil, i.e., a reduction of the country's inequities, particularly investments in education and community development. Many survey respondents also emphasized the environment and energy and social entrepreneurship as priorities. Other priorities among those interviewed included early childhood development and justice.

In terms of populations served, survey respondents indicated a focus on children and youth (74%), early childhood (37%) and people living in poverty (26%). Regarding the geographical focus of survey respondents, in the aggregate close to 25 percent of their investments support their immediate community, with close to 60 percent focused on programs outside of their community (though within Brazil). Smaller percentages supported communities in which their corporations operate, or initiatives in other countries.

Education as Key to Individual Opportunity and National Development

With a goal of extending quality education to all Brazilians, investments in primary and secondary education are a priority for the vast majority of individuals who participated in this study. Education was seen as critical to individual well-being, broad social change and national development. Almost without exception the educational initiatives identified through this research focused on equitable quality education. Education is a current giving priority for 70 percent of survey respondents, and over 90 percent indicated that primary and secondary education should be the top priority for philanthropy in the country. In a survey conducted by *GIFE* on 2011–2012 activities, 87 percent of members said that they make social investments in support of education.¹⁷

Individuals and their philanthropic institutions use a variety of strategies to address educational quality and access, including institutional development and professional training, the development and distribution of educational innovations, and support of individual students.

Improvement of Educational Institutions

Several individuals and social investors are working to improve public schools in Brazil in order to provide equal access, quality, and opportunity to all student-aged children.

Viviane Senna described the *Ayrton Senna Institute's* resolute focus on decreasing educational inequality and creating opportunity. Following the tragic death of Formula One driver Ayrton Senna da Silva in 1994, the family established the Institute to help underprivileged and street-bound children. The Institute focuses on improving the public educational system through broad-scale teacher training. Viviane recognizes the fundamental challenge of scale, and the Institute is seeking ways to adopt a private sector mentality around scalability and innovation in the educational sector. The Institute has spent approximately US\$45 million and helped 1.3 million children.

Carol Civita, a board member of the *Fundação Victor Civita (Civita Foundation)* established in 1985, elaborated on the Foundation's commitment to developing the capabilities of elementary school teachers and school managers. The Foundation publishes a unique and influential magazine for teachers with an estimated readership of almost 2 million, the second largest circulation of any magazine in the country. In a survey conducted as part of the Foundation's 2013 annual report, 76 percent of teachers responded that they had changed their classroom practices after reading the magazine, and 68 percent used it as a reference for lesson planning.¹⁸ The Foundation also presents annual prizes to innovative projects submitted by teachers, and these awards enhance teacher skills by funding professional development courses in Brazil or abroad.

Bernardo Gradin and his family established the *Instituto Inspirare (Inspirare Institute)* in September 2011 as a major commitment to improve the quality of education in Brazil through innovation and entrepreneurship. The Institute has a four-pronged approach, two of which focus on improvements at the school level: The *Bairro-Escola Rio Vermelho* (Red River Neighborhood School) program is developing a community-led model of holistic education that is inspiring a renewal of education in the city of Salvador, while the *Educação Pública Inovadora* (Innovative Public Education) program is supporting multiple schools that wish to renew their processes of teaching and learning.

“What three issues should be top priorities for philanthropy? Education, education, and education.”

Anonymous

“We have a country that is built for a few people; not everyone. We are committed to our country and closing the gap between rich and poor. Education is the means to do this.”

Viviane Senna

“Education is transformative, for the individual, the family, and the country.”

Bernardo Gradin

Investment in Educational Innovation

Some social investors are also focused on developing and disseminating innovations aimed at providing educational access and opportunity to a wide swath of Brazilian youth, particularly those who might not have access to quality education.

One of the *Inspirare Institute's* four prongs is the *Porvir* (Future) initiative. *Porvir*, standing for the “future well-being of all people,” serves as an informational commons that gathers and exchanges global information on educational innovations to help inform Brazil and inspire policies, programs, and investments that improve the quality of education in Brazil. The initiative maps practices, tools, research, and people invested in innovations and education in Brazil and abroad. The Brazil team works with an international network of volunteers or satellites to help identify experiences, at every stage of implementation, that are capable of inspiring ideas and solutions to educational challenges in Brazil.¹⁹ Another prong is the *Iniciativas Empreendedoras* (Entrepreneurial Initiatives) program. This program promotes and ignites social businesses that propose innovative solutions to increase access and improve the quality of educational opportunities, especially for those at the bottom of the social pyramid. The program aims to encourage a growing contingent of Brazilian social entrepreneurs. In addition to financial investment, the program provides support to overcome barriers such as the lack of awareness of the Brazilian educational context and/or a lack of expertise in critical areas for business success. The program also provides a network of contacts with potential investors, partners, and suppliers.²⁰

In 2002, one of the most prominent businessmen in Brazil, Jorge Paulo Lemann, established the *Fundação Lemann* (*Lemann Foundation*) as a family foundation focused on improving the quality of public education in Brazil. The *Lemann Foundation* also has a strong focus on educational innovation geared toward improving access to information about and the quality of public education in Brazil. The Foundation has supported ambitious efforts to provide widespread access to quality educational content, including funding the Portuguese translation of mini-lectures from Khan Academy, a US-based organization and virtual platform providing free educational lecture videos for a global audience.

These videos now reach 10,000 public school students in Brazil. In 2013, the Foundation partnered with Google Brazil and its YouTube Edu platform to bring teachers and students more than 12,000 educational video lessons in Portuguese.²¹ The Foundation has also supported the development of an open access data portal to track reliable information on education in Brazil.

Focus on Individual Opportunity

Jorge Paulo Lemann has also supported hundreds of individual students through both the *Lemann Foundation* and a second foundation, *Fundação Estudar* (*Study Foundation*). Created in 1991 with fellow business partners Marcel Telles and Beto Sicupira, the *Study Foundation* provides scholarships and college access for academically gifted students and young professionals to attend the world's top universities, graduate programs, and intercultural exchanges.

Community Strategy Important for Some

Some social investors and foundations have a more place-based focus that includes education as one of several elements of an integrated approach to community development. Among survey respondents, community development was the second highest priority following education with over 40 percent of respondents providing support in this area. Fully 37 percent of respondents thought it should be a philanthropic priority in the country in the future. In *GIFE's* membership survey, 54 percent of respondents operated or supported programs in community development.²²

FOCO embodies this approach. Primarily focusing its support in education and volunteerism, the Foundation overall seeks “to stimulate the growth and development of communities... [and] contribute to the development of a better society.”²³ Through its *Rede Escolai* (School Network), the Foundation has partnered with state and municipal government and private sector contributors to create a more participatory, collaborative, and democratic school system in 23 public schools. Other projects aim to stimulate environmental consciousness and responsibility in schools and deepen links between communities and businesses.

“My main focus is the future of my country. To reach this aim, we must begin with quality education.”

Osmar Zogbi

“We focus on education because that’s what will make the greatest difference in Brazil.”

Carol Civita

Vulnerable Populations and Neglected Needs Gain Attention

While much of Brazil’s private social investment focuses on education and community development, there are social investors and foundations focused on other critical issues, particularly populations and issues that are perceived as receiving insufficient attention from the state or other private investment.

Early Childhood Development

FMCSV is an endowed family foundation that is over 40 years old. In 2001, the family (now the second and third generation) went through a rigorous strategic planning process, which culminated in the decision to focus their efforts in early childhood development in order to help children from conception to six years of age get a strong and healthy start to life. In 2008 it launched the *Primeiríssima Infância* (Early Childhood) program to improve professional services for pregnant women and small children in health, education, and social assistance. The program has benefitted more than 40,000 children and is carried out in partnership with municipal governments in 13 cities around Brazil.²⁴ It also employs a rigorous process of diagnosis, including 50 indicators that measure quality of services, as well as analysis to improve care and the Early Childhood program itself. *FMCSV* also works to improve public policy and establishes partnerships with the public sector, private initiatives, and civil society. The goal is to widen the reach and impact of its social interventions and to raise awareness about themes related to early childhood development. In 2012, *FMCSV* invested a total of R\$ 10 million (US\$3.8 million) in programs and projects.

The Disempowered and Disenfranchised

As noted earlier, Filipe Sabara founded *ARCAH* in 2012 to work with people faced with homelessness, mental illness, and drug addiction. *ARCAH* seeks to provide housing, services, and rehabilitation to those in need. Through operation of a small countryside farm, *ARCAH* provides rehabilitation, education, vocational training, and reintegration for more than 60 homeless individuals per year.²⁵ Sabara hopes to scale these sustainable farming projects in an effort to diminish urban homelessness and drug addiction, and transform individuals’ lives through *ARCAH*’s comprehensive programs.

Justice for All

Inês Mindlin Lafer and the family’s foundation *Instituto Betty e A. Jacob Lafer (Lafer Institute)* work to ensure fairness in Brazil’s justice system. The focus reflects, honors, and benefits from a deep family interest in justice and fairness: Lafer, director of the Institute, earned a master’s degree in human rights, a subject on which her father also taught, and a master of public administration. Not only does such a focus reflect personal interests and expertise, but it is also a strategic decision to focus on a specific area not addressed by many social investors, not to mention areas in which their resources could have a strong impact. The Institute also invests in public policy efforts to foster accountability, encourage social participation, promote new ideas and advocate for various issues (e.g., drug policies, public security, and the environment).

Philanthropic Platforms and Strategies

Seeking to create systemic and sustainable change, social investors in Brazil employ a wide variety of strategies and platforms to this end. While the legal environment, charitable traditions, and public opinion have in some fundamental ways limited the practices of philanthropy, this study's interviews suggest that there is space for creativity and innovation in private social investing. In addition, it is clear that many individuals have already committed substantial financial, intellectual, and social capital to resolve some of the country's most critical challenges.

An Outcome-driven Approach to Social Investing

Interviews in Brazil suggest that many social investors take an outcome-driven approach to social investment. Beginning with the problem being addressed – such as inequalities of education, inadequacies of justice, inequities in health services, or deficiencies in early childhood development – this type of approach zeroes in on goals and targets and recognizes that solutions will likely require multiple, inter-linked strategies. It also acknowledges that big challenges require a long-term view and commitment, and that the time frame will likely be generational. Last it realizes that large-scale change often requires collaboration and partnerships.

Two examples of this approach are the *Inspirare Institute* and *FMCSV*. Both use multiple and interrelated strategies, including influencing policy, building knowledge, and improving professional practices. The *Inspirare Institute* is also developing game-changing innovations.

Philanthropic Institutions Exhibit a Range of Platforms, Funding, and Operational Models

Philanthropic Platforms

The majority of those interviewed in Brazil carry out their giving and social investments through a formal institution representing a range of organizational models. In this study's limited sample the majority used private, not corporate, foundations or institutions. All of the institutions were family-based, with family members playing leadership roles. Similarly, over two-thirds of survey respondents indicated that they used a family or private foundation to structure their giving, while approximately 15 percent used a personal/family business. Other platforms mentioned included more broadly focused nonprofit organizations, family institutes, community foundations, and intermediary groups.

Some individuals and institutions use a combination of platforms or organizations to achieve their objectives. For example, Ana Lucia Villela, founder of the *Instituto Alana (Alana Institute)* and related organizations, described how they set up structures to maximize the synergies, e.g., tools and approaches, of three separate institutions. The *Alana Institute*, established in 1994, is a nonprofit that operates its own projects with endowment income, while *Alanapar*, set up in 2014 focuses on the social business market and the *Alana Foundation*, headquartered in the United States, is a fully grantmaking foundation supporting innovative research “capable of changing the world.”

Funding Sources

Among those interviewed who have established formal philanthropic institutions, the funding sources vary widely. Similar to other countries in this study, philanthropic institutions often receive substantial funding from the founder, but very often also seek funding from other sources.

Although, as noted above, there are few incentives for establishing an endowment in Brazil, several foundations including *FMCSV*, *Civita Foundation*, and the *Alana Institute* have endowments. Reasons for creating an endowment differ but can include a means to ensure perpetuity, to increase professionalism, and to de-personalize the efforts. Ana Lucia Villela noted, “*We created an endowment because we wanted the Institute to be independent of me.*”

Non-endowed institutions are funded by a variety of sources, including family members, corporate profits, other foundations, personal and business acquaintances, non-associated corporate contributions, and the general public. Several family members have committed financial resources to the *Inspirare Institute*, as well as a minimum of one day a week to provide non-financial social and intellectual capital. The Senna family contributes all royalties from the Ayrton Senna brand to the Institute. Half of the Institute’s funding base is comprised of these royalties, including licensing deals with Brazilian and international companies and a highly profitable cartoon character based upon Ayrton Senna and used in comics, games, toys, and other children’s products; the other half is made up of corporate and individual donations.

Operational Models

As is the case in other countries in this study, there is a mix of operating and grantmaking strategies across foundations and institutions and, while some foundations exclusively employ one strategy or the other, a majority of foundations have a hybrid approach. That said, the Western-influenced operating/grantmaking dichotomy may not be broadly relevant in Brazil (or elsewhere). As described above, many individuals start with an outcome- or problem-based approach and establish institutional platforms and operating models most likely to accomplish their objectives, often using a range of approaches.

Among survey respondents, 50 percent of their resources were spent directly operating programs and 28 percent were used for grants to third parties. These figures are very similar to the *GIFE* census, where 55 percent of resources went to program operations and 29 percent to donations for others.²⁶

In this study’s interviews the *Lafer Institute* was the only institution that described itself as a grantmaking organization. This was a conscious decision based on the resources available and the nature of the problem the Institute is committed to solving. It employs no paid staff, which is part of an effort to keep operating expenses to a minimum, and believes it can have far greater impact by strengthening existing programs and supporting the work of experts.

Others, working on different issues and/or with greater resources feel they can have more impact by operating their own programs. For example, Viviane Senna explained that their institution initially granted funds to third parties, but saw little impact. Given the scope and scale of the problem, they determined that working directly with public schools was a more effective tool.

FMCSV is a good example of a hybrid approach. Dario Guarita Neto explained that *FMCSV* utilizes grant funding to support researchers in developing new critical knowledge and operates its own programs to test ideas and improve practice.

One consequence of a philanthropic landscape largely characterized by an operating model is the fact that there are limited resources available to support and encourage civil society. Several of those interviewed emphasized the need to develop Brazil’s civil society through grants to nonprofit organizations, even if this was not a priority for their own organization. Professional organizations such as *GIFE* and *IDIS* also promote the importance of grantmaking to civil society.

“The interest in impact investing, especially among the younger generation, is really growing. We need to find ways to support this.”

Daniela Nascimento Fainberg

Partnerships Perceived as Key

Collaboration and partnership are very often part of an outcome-based social investment approach, and several of the individuals interviewed talked positively about their partnerships with private organizations and public entities. Bernadette Coser referenced several partnerships including one with the Inter-American Development Bank and RedeGlobo, among others. Osmar Zogbi said, *“We have urgent challenges. It is necessary for a greater number of donors to work together and with state and federal governments.”* Dario Guarita Neto emphasized, *“Our goal is leverage. Our hope is to double investment by co-investing.”*

Among survey respondents, almost half said they collaborated with other philanthropists and 60 percent said they expected to do so within the next two years. Carol Civita said that there was increasing interest in pooled funds in Brazil.

Impact Investing on the Rise

Among those interviewed and surveyed there was a significant interest in impact investing and other emerging social investment strategies. At the same time, a few individuals adamantly opposed the approach, believing philanthropy and social investment should be focused solely on social, not financial, return. As observed earlier, it appears there is a willingness and eagerness to explore different strategies to address significant challenges. For some, impact investing is seen as one of many tools.

“The Instituto Inspirare sees impact investments in educational innovation as a means to encourage innovation and subsidize costs of other essential social investments.”

Bernardo Gradin

According to a Bain and Company report on impact investing in Latin America, Brazil has the region’s largest share of invested capital: US\$180 million out of a total of approximately US\$800 million across the region.²⁷ Several organizations are promoting sector growth. As part of a global field-building effort around impact investing, the Rockefeller Foundation has launched convenings in several emerging markets around the world to engage investors in the Global South. In collaboration with the Avina Foundation and Omidyar Network, they hosted the first forum in São Paulo in 2012, focusing on identifying barriers and opportunities for greater impact investing in the region. Following the forum, they initiated the Latin American Impact Economy Innovations Fund to provide funding to social enterprises and entrepreneurs working to build the sector.²⁸ Of the six awards made, three were based or working in Brazil.²⁹

One example of an impact investing approach is Artemesia. Founded in 2004, Artemesia has been influential in the promotion of social entrepreneurship and impact investing in Brazil for more than a decade.³⁰ In 2014 the organization co-hosted the Brazilian Forum on Social Finance and Impact Businesses, which brought together nearly 600 social entrepreneurs, investors, foundations, and businesspeople to discuss innovations and opportunities for private social action and investment. Out of this forum, several individuals helped to launch the Social Finance Task Force to increase awareness, highlight investment opportunities, and promote the growing social finance sector in Brazil.

Among survey respondents, approximately 60 percent were interested in impact investment; 66 percent were interested in venture philanthropy defined as *“building stronger social organizations by providing them with both financial and non-financial support in order to increase their social impact”*; and over 75 percent were interested in the concept of collective impact, defined as *“working together with actors in government, civil society, and the business sector in a structured and coordinated effort to solve complex social problems.”*

Looking Ahead: Challenges and Opportunities

The individuals interviewed in Brazil are active, engaged philanthropists and did not express many significant obstacles to their own giving – save a lack of resources that can effectively address the problems. Many individuals were optimistic about the trajectory of social investing in the country. Along with the general optimism, however, those interviewed and surveyed observed several challenges that they felt hindered wealthy individuals from becoming more active and that limited the overall impact of private social investment in Brazil. Chief among these are a lack of a culture of social investing (or perhaps the sense of community that would lead to it), a lack of confidence in the nonprofit sector, and the legal and tax environment for private giving. Several individuals provided concrete and creative suggestions about how to tackle these barriers and create a more robust, engaged, and effective philanthropic landscape.

Developing an Improved Legal and Tax Environment

Both social investors and sector experts view the legal and tax policy environments in Brazil as one of the most critical obstacles to broader social investment. As one philanthropist observed, *“The focus of current law is to preserve capital rather than spend it on social endeavors.”* And Dario Guarita Neto explained that in his view, *“We need to have a less regulated landscape. The legal policy around giving is too limiting and regulated.”*

Optimistically, over half of survey respondents said that more favorable tax incentives would motivate them to increase their own giving levels, and that an improved legal and tax environment would certainly help increase overall giving in Brazil. While there were a range of views on the specific policy changes that would encourage more giving, a number of respondents believed that the following actions could help: creating policies to protect endowments; raising the 6 percent cap on charitable tax deductions; removing the tax penalty imposed on gifts over US\$25,000; and imposing a higher death tax.

Demonstrating Impact

A common theme that emerged from the discussions was the need for clear evidence that engaging in philanthropy can actually make a difference. Among survey respondents *“more evidence that giving has and can facilitate change”* was – after tax incentives – the second most important issue that would motivate them to personally give more, and the most important factor for helping to develop philanthropy in the country. While study participants already deeply engaged in social investment are convinced of its impact and potential, many indicated that they would be very interested in a better understanding of the activities and impact of other social investors in the country.

Both *GIFE* and *IDIS* already have programs to help share experiences and best practices and are excellent platforms for developing and disseminating even more knowledge. As described above, many individuals also felt that if individual social investors could and would demonstrate the impact of their actions to other wealthy individuals, the public, government, and the media, such an effort could persuade more people to invest as well as promote more favorable government policies.

Changing Perceptions on the Role of Giving and Social Investment

Many individuals believe that one of the greatest obstacles to broader social investment in Brazil is the perception among both the wealthy and the broader public that the role of private giving should be charitable rather than catalytic. In other words, it should aim to relieve immediate suffering and provide basic needs rather than seek to address underlying issues and create sustainable social change.

Marcos Kisil, the founder of *IDIS*, explains, *“Providing quality education, healthcare and other human services is seen as the responsibility of the State and solving inequities or failures in these systems is seen as the obligation of the State. This perception is one of the top challenges to developing the social investment sector in Brazil. We have to see these problems as everyone’s problems and encourage everyone to be part of the solutions.”*

Despite the challenges of changing the traditional ways of thinking about giving, this study illustrates that a number of individuals and families are actively involved in social investment. As several interviewees discussed, there appears to be a growing feeling that huge economic and social disparities are both *“morally wrong”* and highly counterproductive to developing Brazil’s economy, infrastructure, and social systems. José Carlos Reis de Magalhães sees little difference between business and social development. In his view, values must underpin profits, *“You can’t have one without the other.”* Bernadette Coser emphasized, *“I definitely see more families getting involved with making investments in Brazil’s civil society. Many are beginning to view this as their social responsibility to foster the means of development.”* The individuals in this study offer a number of innovative and inspirational examples; leveraging this work through more visible leadership presents promising opportunities.

Fostering a Sense of Community

Many individuals expressed the view that, despite the emerging trends on social investment, there still remains a limited sense of community, social cohesion and social responsibility among Brazilians of different economic and social strata. The wealthy were described as *“living in their own world, not in Brazil.”* One philanthropist emphasized, *“The elite live in a bubble. For five centuries they have been thinking about themselves.”* From the country’s early colonization and plantation economy through a long history of slavery and decades of foreign extraction of natural resources, Brazil’s riches have benefited a small minority with little emphasis on building an egalitarian society or sense of social cohesion. Twenty years of military rule, a period when community building or organizing could be viewed as subversive, was a further barrier to developing broad social affinity or cohesion.

Several people suggested that a key way to increase social investing in the long term would be to integrate concepts of citizenship and community service into school curricula from a very young age. Carol Civita said, *“We have to start very young to develop a sense of community and caring. We must teach our children that, like Spiderman, ‘With great power comes great responsibility.’”*

Creating Capacity and Credibility in the Nonprofit Sector

Strengthening Brazil’s nonprofit sector and organizations may be critical to the growth of philanthropy and social investment in the country. Participants in the study suggested that many nonprofit organizations are perceived as weak organizations that lack accountability and professionalism, and whose reputations have historically been tarnished by scandals and corruption. Marcos Kisil, as well as over half of this study’s survey respondents, believes this is one of the top three challenges to developing the philanthropic sector. Osmar Zogbi remarked, *“Eighty percent of nonprofits exist to exist”* without clear objectives, demonstrable results, or regular and publicly available audit reports.

While less frequently articulated, other attributes of social investing and civil society may contribute to these perceptions. Most social investors choose to operate their own programs, not support the work of others, so are thus not contributing to a stronger civil society. Few of the individuals interviewed viewed *“support of a strong civil society”* as an explicit objective. Some parts of civil society, such as human rights and advocacy groups, were in large part built and supported chiefly by international foundations. According to a McKinsey report, support of nonprofit organizations by U.S. donors fell approximately 70 percent between 2002 and 2006.³¹ These groups may be perceived as more international than Brazilian NGOs.

Individuals are quick to emphasize that there are exceptions (highly respected, well-managed NGOs) that are capable of capturing private contributions. Some felt that having such talented and professional organizations connect with potential donors in a business-like setting could change some attitudes about using them. In addition, they could also play a leading role in mentoring underperforming nonprofits that show promise, as well as new entries into the field. And because a number of those who were interviewed acknowledged that civil society has an important role to play in the country’s democracy – though only a few saw the support of civil society as one of their own goals – they appear open to new ways of promoting positive change in Brazil.

Connecting Potential Donors: From Isolation to Inspiration

Brazil boasts several strong and important organizations that support and inspire philanthropists in the country. Many individuals were quick to point out the critical roles of *GIFE* and *IDIS*. At the same time, they believe that many current and would-be social investors need more opportunity to engage with, learn from, and inspire one another. Additionally, it is acknowledged that more reliable knowledge, data and information on the sector could help increase learning, collaboration, and the ultimate impact of social investing. As Bernadette Coser reflected, there has not been a tradition in Brazil of donors working together. This is the case even though many seem very committed to the same causes: building social well-being, better education, and improved health care across the nation's communities.

Several individuals suggested the importance of more opportunities to bring peers together and for those who are actively engaged in philanthropy to talk about what they are doing, the impact they are having, and their personal sense of passion and purpose. Carol Civita, Viviane Senna and Ana Lucia Villela all spoke of their initial reluctance to talk about their work, but now understand that people can be inspired by and hopefully prompted to action when they hear their stories.

Others mentioned the importance of new initiatives that can make it easier for people to become more active, and particularly to support those who wish to make grants rather than operate their own programs. Daniela Nascimento Fainberg noted there are many individuals *"who are interested, who want to do something good, but do not have the time and effort. We need more ways to encourage and support these individuals."*

Individuals interviewed for this study are exemplars of social investors. They impart financial and other resources generously, strategically, and with an overarching desire to improve the lives of those most in need, and they demonstrate inspiring compassion, commitment, ingenuity, and impact. Yet there is consensus that this group is not representative; that only a fraction of those with the means to contribute are doing so. The challenge is to persuade others to bring their own resources to bear on the common good. A better understanding of social investment's tangible results, more opportunity for peer engagement, and a more favorable policy environment could all help to encourage others and make philanthropy and social investment in Brazil a true force for social change.

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