

PHILANTHROPY IN BRAZIL

Summary Report

INTRODUCTION

There is general agreement that Brazil's philanthropy sector is growing, but not very fast, and certainly not in proportion with the country's growing wealth. It has yet to fulfil what most see as its full potential. Brazil is currently the world's ninth largest economy, with the eighth largest number of billionaires in the world, yet it ranks as 75th in Charities Aid Foundation's (CAF's) 2017 World Giving Index.

Corporate philanthropy is making more progress than other parts of the sector, with family foundations only beginning to get off the ground, and a small group of independent social justice funds and community philanthropy organizations emerging in the last ten years. There are a number of initiatives under way to promote a culture of giving and engage a largely untapped well of individual donors. Impact investing is well known but not developing as fast as its proponents had hoped.

There are a number of reasons for the slow growth of philanthropy in Brazil. Its potential role – particularly its role in expanding and consolidating democracy – is not well understood. There is widespread public mistrust of NGOs and a lack of understanding of what they do. Overseas donors are withdrawing from what they see

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A working paper

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Philanthropy for Social Justice and Peace

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as a middle-income country – a withdrawal seen by some as premature and damaging. The severe political and economic crisis that hit Brazil in 2014, not yet resolved, has also played its part.

Effects of the political and economic situation

While all agree that the economic and political crisis has had an impact on the culture of donations, those working on promoting individual giving don't feel the situation has greatly affected their work. But NGOs have been badly affected by shrinking government support for social welfare, and companies have also reduced funding for NGOs.

Social justice funders and all those promoting rights in Brazil are the most severely affected by the dismantling of the human rights ministry, the ministry for racial equity and other important structures supporting civil society and human rights. With a conservative Congress seeking to re-criminalize abortion and opposing gender equity, groups working for women's rights have found it increasingly difficult to raise funds in Brazil. The same is true of funds working for racial equity, which have found companies reluctant to work with them

But there is more at stake here than funding. Being a human rights defender or environmental activist is dangerous. In addition to attacks in social media, there are physical attacks, even murders. In its 2017 report, Global Witness identifies Brazil as number one in assassinations of land and environmental activists, with 46 deaths out of 197 globally.

On the positive side, there are incipient signs of increasing donor interest in supporting initiatives to promote a more democratic agenda, for example identifying and training a new generation of political leaders. Diminishing state support for social welfare may also prove a stimulus to the development of philanthropy, and encourage NGOs to become more creative in seeking support from the public.

Terminology

The term most commonly used in Brazil is 'social investment' or 'private social investment' rather than 'philanthropy'. This is the term used by GIFE (Group of Institutes, Foundations and Enterprises, the main umbrella body for institutional philanthropy in Brazil) and its members. It was adopted at GIFE's founding in 1995 to distinguish its members' activities from 'philanthropy', which had negative associations in Brazil, being associated with traditional charitable initiatives and often tainted by a suspicion of corruption.

What does 'social investment' mean? While some in Brazil associate it mainly with corporate philanthropy, GIFE itself favours a more inclusive meaning. Meanwhile the Philanthropy Network for Social Justice, a network of social justice funds, wants to reclaim the term philanthropy in a positive way, associating it with giving and grantmaking.

Here we use ‘philanthropy’ 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.

About this report

This new working paper 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. It aims to provide an overview of philanthropy in Brazil today, especially highlighting innovations and new initiatives. This has been done mainly through conversations with people who have been trying to promote, support or strengthen different areas of philanthropy. It is a work in progress, not a finished document. It can be seen as a starting point, to be built on by others.

WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN BRAZIL?

Foundations in Brazil

The Brazilian foundation sector has grown rapidly following the establishment of democracy – a recent report found that 64 per cent of private foundations in Brazil were created after 1980, and 48 per cent in the 1990s – though endowed foundations are few because of unfavourable legislation.

Corporate philanthropy constitutes the largest and most visible part of the sector. This is reflected in GIFE’s membership. Out of its current 137 associates, 53 per cent are corporate foundations/institutes, 18 per cent businesses, 17 per cent family foundations/institutes and 12 per cent independent funds or community foundations. Despite the reduction in funding from international foundations, they remain significant players in Brazilian philanthropy, with international funders still providing most of the funding for human rights and environmental advocacy.

According to GIFE’s 2016 Census, its periodic survey, top priority causes for institutional philanthropy were education (84 per cent), youth development (60 per cent) and arts and culture (51 per cent).

A lack of grantmaking

Most Brazilian institutional donors are not primarily grantmakers. According to the GIFE Census, 57 per cent do some grantmaking, but only 16 per cent are mainly grantmakers, while 43 per cent invest only in their own projects. However, a majority declared the intention of moving towards grantmaking in the next few years, and an affinity group on grantmaking practice was formed at the recent GIFE Congress. Members of Brazil’s Philanthropy Network for Social Justice all work through grantmaking programmes, as do community philanthropy organizations. Reasons for donors’ preference for operating their own programmes are mistrust of the NGO

sector, a desire for direct control and the donation tax (see below). The lack of grantmaking is perceived by most informants as a weakness, undermining the development of an independent NGO sector.

Corporate philanthropy

In the wake of Brazil's re-democratization process in the 1980s, a new type of social and political activism emerged, and the concept of the public sphere was broadened beyond governments to encompass individuals, companies and other organizations. Social investment was incorporated in the agenda of companies, alongside adoption of appropriate social and environmental practices within their direct activities. Contributing to the solution of social problems thus came to be seen as a task of the business sector. The founding of GIFE in 1995 was part of this process. Recent surveys show a steady increase in the amounts invested between 2011 and 2015, with a 19 per cent decrease in 2016 compared to 2015 owing to the recession.

Corporate philanthropy in Brazil takes different approaches. The more traditional one is to make grants to support social projects with no connection to the business. Another approach is to support projects that deliver a social impact but are in some way connected to the business. Companies do this in a variety of ways, through grantmaking, impact investing, research and development, volunteering, and direct implementation of projects. Some see the more commercial considerations associated with the second approach tending to militate against the development of a more strategic philanthropy.

Generally speaking, corporate foundations do not support social justice issues – though many corporate foundations, for example those of mining or energy companies, are obliged to work to ameliorate social and environmental damage in the territories where they have their business. There are a few exceptions (see below). This reluctance to support rights issues is largely to do with public perceptions. However, companies' focus on education can be seen as more than a form of playing safe. Fostering public education is a way of contributing to promotion of equality in the country.

Family foundations

An increasing number of family foundations have emerged in the last few years, driven largely by the growing number of wealthy families. Jorge Paulo Lemann, for example, is one of the main Brazilian philanthropic funders of education. These new family foundations are mostly inclined to be conservative. Exceptions include Instituto Alana and Fundação Tide Setubal, while Guilherme Leal is one of the country's most progressive philanthropists. Spurred by the political environment and the prevalence of corruption, the issue of transparency is now being debated.

Impact investing and social enterprise

Impact investing (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,

but its practice is still relatively limited. According to the latest research, the number of active impact investors in the country increased from 22 to 29 from 2014 to 2016, but the sums involved are very small. The top area of focus is financial inclusion.

The main contributors of funds are family offices and wealthy individuals, especially the younger generation. An increasing number of family foundations are engaging with this field, but as yet the corporate sector has been very little involved. The Brazilian Social Finance Taskforce is creating prototypes for impact investing. One is for foundations, encouraging them to invest 5 per cent of their annual giving to develop the ecosystem of social finance (22 are now involved) and another is for family offices. GIFE also sees fostering and strengthening impact investing as part of its agenda.

The idea of social enterprise or social business – enterprises that deliver social and financial goals – seems to be growing in Brazil, especially among younger people. Others are creating companies that have a larger goal than just generating profits, many using the B Corps model.

Social justice philanthropy

One of the most significant developments in Brazilian philanthropy in the last ten years is the rise of the social justice philanthropy movement. Formed in 2009, the Philanthropy Network for Social Justice now has 10 associated organizations. Members are grantmakers supporting human rights; they provide crucial funding to NGOs, grassroots organizations, social movements and human rights defenders active in areas such as women's rights, gender, racial justice, climate change and environmental advocacy as funding from domestic sources tends to go to less contentious areas. Network members all have to raise funds for their grantmaking programmes. Eighty per cent of their resources still come from international funders.

But this can change, and CASA is a case in point. Founded in 2005 to support local communities and grassroots environmental NGOs to become better caretakers of their homelands, CASA started out with only international money, but it now has substantial domestic funding, much of which comes from Brazilian banks, individuals and private foundations.

Only a handful of social justice funders receive support from companies. One that does is CASA, which has a partnership with the Caixa Economica Federal Socio-Environmental Fund. ELAS, Brazil's only fund focused solely on women's rights, has partnerships with two companies, Avon and Instituto Unibanco, while Baobá's partners include Instituto Coca Cola and Instituto Unibanco. Raising funds for racial equity is hard, especially because many people see Brazil as a racial democracy and deny the existence of racism.

Community philanthropy

Brazil has just a handful of community foundations. The first was Instituto Rio, founded in 2000. The others are ICOM in Florianópolis, Fundo Zona Leste Sustentável in São Paulo, Instituto Baixada Maranhense, and Tabôa in the Serra Grande region of Bahia. They are all grantmakers, raising funds from a wide variety of donors, though the amounts involved are currently very small.

While community philanthropy in a formal sense is still 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, though they don't identify themselves as community philanthropy organizations. A recent survey of CASA's 1,450 grantees found that approximately 80 per cent mobilize local resources to invest in their own communities. Ten of them have been brought together in a pilot project, with the support of the Global Fund for Community Foundations.

Individual giving

Surveys carried out by CAF and IDIS (Institute for the Development of Social Investment) show that as many as two thirds of Brazilians do give regularly, but donations go mostly to traditional causes, with little or none going to rights organizations. What is needed now is for NGOs more broadly to see individual donors as potential sources of donations. While a few larger NGOs, including international NGOs, have conducted successful public fundraising campaigns, more public fundraising by NGOs is needed to replace dwindling funds from international and government sources.

Several initiatives to promote a culture of giving have emerged in recent years. The *Movimento por uma Cultura de Doação* (Movement for a Giving Culture), composed of NGOs and individual philanthropists, was set up in March 2013, and the first *Dia de Doar* – or #diadedoar (day of giving) – took place later in the same year 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. While the amount of money raised and the number of people reached is increasing by the year, the most significant thing about #diadedoar may be the gradual change in attitude it is introducing.

Other initiatives include Arredondar, which enables shoppers to round up the value of their purchase and donate up to BRL1 in participating stores; and the BIS Fund, created by a small group of funders to support initiatives that motivate all Brazilians to donate.

There are signs that online giving, including crowdfunding is growing in significance, though the amounts involved are still small. A recent CAF survey found that 20 per cent of those surveyed had given online, and NGOs are investing in new websites and structures to raise money online. Some organizations have specific

crowdfunding pages for #diadedoar, with over a third of the 2017 proceeds coming through crowdfunding website Juntos.com.vc.

Philanthropy infrastructure organizations

The two most prominent organizations in Brazil's philanthropic infrastructure are GIFE, set up in 1995, which acts as a network organization for institutional philanthropy, and IDIS, founded four years later 'to promote the engagement of individuals, families, companies, and communities in philanthropy and private social investment'. IDIS convenes the annual Brazilian Philanthropy Forum, of which the sixth edition took place in October 2017. Since 2011 WINGS has been based in Brazil. There is also the Philanthropy Network for Social Justice and ABCR, the association of fundraisers. Founded in 1999, ABCR has over 350 members.

WHAT IS HINDERING THE DEVELOPMENT OF PHILANTHROPY IN BRAZIL?

There are several obstacles to the development of philanthropy in Brazil. The first is the political environment. 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. Despite this, most Brazilians still feel that the government should provide when it comes to social matters. Other major obstacles are an unhelpful legal and fiscal framework; a reluctance on the part of the public to give to NGOs; and obstructive banking regulations. For example, people who want to make monthly donations can't set up a standing order so they have to tell the bank to make the payment every month – which many donors fail to do.

Legal and fiscal framework

While the Brazilian government's attitude towards philanthropy is not actively hostile, it does nothing to support it. Two particular problems are the tax on donations and the lack of endowment legislation.

The tax on donations A tax must be paid on all donations (the amount varies from state to state, but the general legal principle is countrywide) unless the recipient has an exemption, available to NGOs working in certain areas. Getting an exemption involves an extremely lengthy bureaucratic process, which has to be repeated annually. The liability for paying the tax lies with the recipient, but if the recipient fails to pay the liability passes to the donor.

Lack of endowment legislation At the moment few foundations are endowed because of the lack of legislation governing endowments. This means that if a donor sets up an endowment, there is no legal means of protecting it: the foundation board could decide to spend it all in two years. Donors can make restrictions on what the

money is given to, but not on the term in which it is spent. The donations tax is another disincentive: If you are endowing or otherwise setting up a foundation, tax must be paid on the amount put in.

Reluctance to give to NGOs

The attitude of Brazilian society to traditional philanthropy and its recipients (churches, hospitals, etc) is generally positive, but 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 NGOs, common to both institutional and individual donors. This is reflected in foundations' preference for running their own programmes. Politicians' use of NGOs to launder money is a key factor in the public's view of NGOs. Though these have been very specific cases, it has helped to augment a general perception that NGOs are corrupt. In addition, NGOs do not always possess the capacity that funders are looking for if they want to achieve scale in their work.

Second, there is widespread ignorance of what NGOs do. NGOs rarely tell their own stories, so most people who have rights now don't know that those rights are the result of NGOs struggling for them. The problem is compounded by the lack of a really good source of research and information on NGOs.

WHAT IS THE POTENTIAL OF PHILANTHROPY IN BRAZIL?

GIFE's 10th Congress, held in April 2018, provided an opportunity to assess the achievements and shortcomings of 30 years of democratic experience, and to develop new agendas for the future. A project was started to look at where the social investment sector could do more. Diversity and plurality are central to GIFE's focus. In their view, individuals, families and companies are all needed, as are different philanthropic approaches. While improved cooperation is needed both among foundations and between foundations and other organizations, each part of the sector has its own distinctive contribution to make.

Foundation giving

It is widely agreed that institutional philanthropy should do more to strengthen civil society. At present, foundations mostly focus on doing their own projects. Suggestions for increasing foundation effectiveness include:

Increased collaboration The Sustainable Development Goals (SDGs) offer a platform and template for collaboration. The SDG Platform was launched in Brazil in April 2017, and most respondents to the GIFE 2016 Census professed some degree of knowledge of the SDGs. Over half said they had plans to align current projects with the SDGs. CASA is one funder that has already done so.

Influencing policy Here again, foundations need to come together and be less absorbed in their own work.

More grantmaking This could help to create a stronger civil society. Members of the Philanthropy Network for Social Justice could lead the way, but more investment is needed and more discussion about the concept.

Legislation for endowments – something IDIS has been advocating for the last four years – is important for bringing long-term sustainability to philanthropy.

Corporate philanthropy

One way in which corporate philanthropy can be significant is through social innovation, working with the government to develop new ways of addressing social issues. The second, and arguably more effective, approach is to transform the companies themselves, making them more responsible and socially driven.

To realize the potential, companies need to understand better how to align social and company outcomes. Companies should aim to promote the empowerment of communities and play an active part in forming public policy, helping to build an agenda of social commitments to be assumed by the state and by society. Social investments could then be an integral part of a broader process of addressing national and global problems.

Impact investing

There is huge potential for impact investing in Brazil, with inequality a key driver. There are many opportunities for people who want to provide services for the low- and moderate-income families that make up two-thirds of the Brazilian population. GIFE is now actively promoting impact investing, and family offices are starting to look at it. Falling interest rates should help, as high rates have meant little incentive to invest in social business when so much money is to be made through financial markets.

What is needed now is to demonstrate results. People need to see examples of businesses that reach scale and achieve profitability together with great social impact. Successful exits would help, and advances in impact measurement.

The field also needs to use technology more creatively and to develop a more diverse range of investment mechanisms, especially for early stages. More patient capital is needed, including a combination of grants and for-profit investments, and more seed funding. Another thing that is lacking is less elitist financial products. Vox Capital is working on developing different asset classes so they have something to offer people with smaller amounts of money not just the wealthiest of the wealthy – something they are seeing a demand for.

Individual giving

Individual giving has the potential to play a much bigger role in supporting an independent civil society. One of the sector's greatest needs, therefore, is to create a culture of giving to NGOs. While it is too early to say that there is a changing public attitude to giving in Brazil, there are hopeful signs. #diadedoar provides an opportunity for NGOs that work in different areas, like human rights, minorities, etc, to promote themselves and their work.

To date the organizations that have run successful fundraising campaigns have been mostly international NGOs like Greenpeace and Médecins Sans Frontières or well-established Brazilian NGOs with a high public profile. However, these examples show that it *is* possible and many local organizations are trying to follow suit. Though some are pessimistic about the opportunities for social justice NGOs, the Brazil Human Rights Fund is one that is embarking on fundraising.

If this potential is to be realized, the NGO sector needs to reach out more actively to the public rather than focusing all its efforts on government. Efforts are needed to strengthen NGOs and improve public trust in them. Tax incentives for individual giving would help, and a more positive attitude on the part of banks. A year ago ABCR joined forces with major NGOs in Brazil with the aim of persuading banks to see NGOs as a distinct sector and create specific products for them.

The 'paradigm of giving' needs to change 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.

PEOPLE CONSULTED FOR THIS STUDY

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- Celia Cruz, executive director of ICE (Institute for Corporate Citizenship) and coordinator of the Brazilian Task Force on Social Finance
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- Graciela Hopstein, executive coordinator, Philanthropy Network for Social Justice
- João Paulo Vergueiro, executive director, ABCR – Brazilian Association of Fundraisers

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To read the full report and for a summarised Portuguese translation visit: <http://www.psjp.org/resources/philanthropy-in-brazil/>

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