

20 Brazil

FROM PHILANTHROPY TO PRIVATE SOCIAL INVESTMENT

A brief history

From the colonisation by Portugal, in 1500, until the 19th century, Brazilian philanthropy was essentially related to the Catholic Church. Most education, health and social assistance services were delivered by religious, Catholic institutions, funded by individual, family and royal donations. Some of these initial organisations continue working, although with renewed sustainability challenges – such as the “Santa Casa de Misericórdia”, a large network of philanthropic hospitals, which today is funded mainly by public resources.

With independence from Portuguese rule, in the 1820s, newly created public institutions also began to offer social services, such as education – a process that accelerated with the adoption of a republican political system, in 1889. For many decades, waves of immigrants, particularly from Europe, took to this syncretistic country new cultures and ideas on how to organise the state, the market and civil society.

In mid 20th century, a few families that had grown rich with the rapid industrialisation of the country created some of the first indigenous Brazilian private foundations. Most were oriented at the time to deliver social services to the workers around their own businesses – since state assistance was and frequently continues to be precarious. Other social movements, also sparked by the industrialisation process, set the grounds for the universalization of health and education public policies which was achieved at the turn of the 20th century.

The military rule, from 1964 to 1985, strengthened the grasp of the state over civil society organisations (CSOs), which either continued to be linked to the Catholic Church – although with strong Marxist influence – or were related to left wing, anti-dictatorship political movements. With a few important exceptions, businesses supported the military rule. And philanthropy, in general, continued to fill in the many gaps left by the state.

The so called “democratic opening” of the country, from the mid-1970’s onwards, and especially the wide social mobilisation that led to the 1988 Constitution, set the political and legislative stage for a historic transformation in the organisation of Brazilian civil society and philanthropy.

At the same time, Brazil started globalising its economy and a wide range of multinational businesses established themselves in the country, influencing the culture of corporate philanthropy and individual giving. Brazilian businesses also became more global in their activities, promoting new kinds of relationship between the industrial elite of the country and other societies.

Education became the main national private social investment area, driven by the demand for a more qualified workforce to meet the stringent competitiveness of the global economy, and by the perception that opportunities are better distributed through a qualified public school system.

The birth of the third sector

Figure 1, below, started circling around the world in the second half of the 1980s. It is a good illustration of the ideological aftermath of the fall of the Berlin Wall, in 1989, or the collapse of the USSR, in 1991. Instead of dividing society into two groups, capital and labour, which dispute hegemony over the state, this iconic image proposes three sectors: state, businesses, and civil society organisations. Around the same time, the American sociologist Francis Fukuyama proposed the “End of History”, claiming the victory of economic liberalism over state-run economies.

In Brazil, as in most societies, the roles and workings of the state, businesses and civil society organisations had already been undergoing structural transformation for many years. In the 1990s, the concept of the third sector gained momentum in many societies. In general terms, this concept means that the public sphere is not only a state-run issue, but should also include the participation of the private sector – both for-profit (second sector) and non-profit organisations (third sector).

Some opposed this movement, calling it, especially when related to the economy, the “Washington Consensus”, or “neoliberalism”, and accusing

it of disseminating a generally small-state ideology, less regulation in the markets, and wider business and civil society participation in public policies, such as education and health. Most Latin American countries, having their economies strongly linked to the United States (US), have been influenced by these concepts and practices.

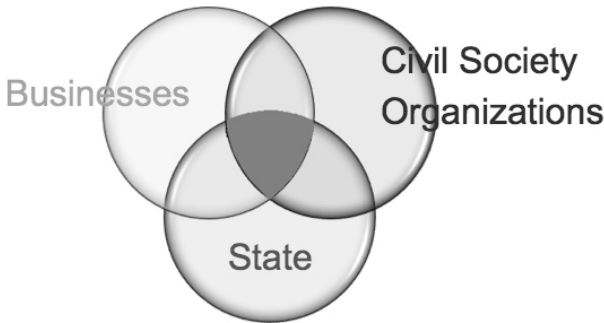


Figure 1: The birth of the third sector

With its new, more participatory 1988 Constitution, Brazil took a lead in this process in South America. The country finally started to seek a more sustainable economic policy, which initially consisted of privatisation, opening its market to other countries, reorganising the state and regulating the financial sector, to counter the acute economic crisis experienced in the 1980s and 1990s. This tighter financial legislation helped to hedge the country from the 2008 global meltdown.

For the creation and monitoring of its social public policies, Brazil institutionalised a series of councils, on municipal, state and federal levels, which included the participation of representatives from the three sectors. New major laws were approved by the National Congress for children and adolescent rights (1990), consumer rights (1990), social assistance (1993) and education (1996), among others.

In the early 1990s, a corruption scandal involving a philanthropic organisation led by the Brazilian First Lady tainted forever in the country the meaning of the word “philanthropy” – which became linked either to tax evasion through civil society organisations or to less strategic ways of contributing to social issues – and even to programs that reinforce the dominance of the elite over poorer communities in society

Soon afterwards another, wider corruption scandal led to the impeachment of the Brazilian President Fernando Collor de Mello, in 1992. But democracy consolidated in the country, and businesses and civil society organisations began to thrive.

A pioneering example of the profound changes happening in the third

sector is offered by the Abrinq Foundation, linked to the association of toy industries in Brazil. Created in 1990 to promote the new legislation on children and adolescent rights, this foundation, led by businessmen, launched in 1995 a “children-friendly business” stamp, which was given to enterprises that confirmed that no child labour was included in any part of its production chain. For the first time in Brazilian history, a business-related foundation instead of taking care directly of their beneficiaries – “since the state doesn’t do it” –, proposed and implemented a program that, more than a decade later, is still producing significant social and economic changes.

The Foundation and Association Boom

In 1995, with its democracy reinforced and a new, social-democrat President elected, the long-lasting hyperinflation was finally controlled. For the first time in decades, Brazil was able to collectively envision a better future. Foundations and civil society organisations (framed legally as non-profit associations) acquired a kind of panacea position in society

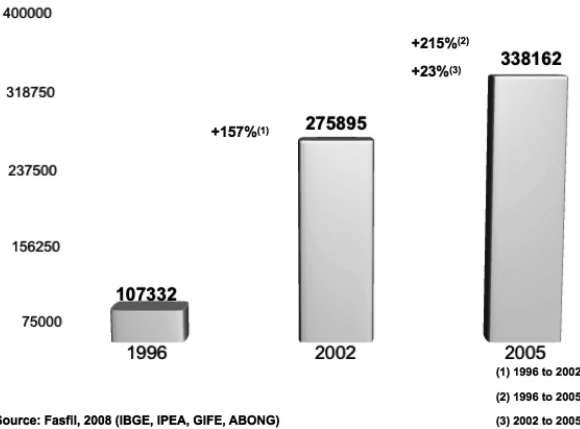


Figure 2: Number of non-profit foundations and associations in Brazil

From 1996 to 2005 (therefore in only ten years), the number of foundations and non-profit associations tripled, from 107,332 to 338,162. In the same period, the number of businesses grew 68 percent, to 5.4 million. And the population in the country approached the 200 million mark – an outstanding emerging market in many senses.

Although among the 338,000 non-profit foundations and associations a quarter are related to different religions, which are also booming in the country (161 percent expansion in ten years), the group that most grew were

the non-governmental organisations (NGOs) related to rights advocacy and development (a startling 437 percent from 1996 to 2005, totalling 60,000 organisations). In 2005, the number of workers in the sector reached 1.7 million, or around 6 percent of all Brazilian formal labour.

This growth was accompanied by a similar proliferation of intermediary civil society organisations. In 1991, the Brazilian Association of NGOs (Abong) was created. At the same time, foundation and business leaders started to hold monthly meetings to reposition the way their organisations worked in the country. Initially gathering at the American Chamber of Commerce, with the support of the Kellogg Foundation, these leaders went on two international tours, in the US and Europe, for benchmarking. They ended up creating the first philanthropy association in South America in 1995: the Group of Institutes, Foundations and Enterprises (GIFE) – initially with twenty-five members and today with a hundred more.

In 1998, some of the same business leaders that had created the Abrinq Foundation (1990) and GIFE (1995), among other organisations, launched the Ethos Institute on Business and Social Responsibility. The 2001 UN Volunteer Year also accelerated the building of local and regional volunteer centres around the country, most of them linked to rich Brazilian families, to national and international businesses or to both.

Building a sustainability crisis

To understand the profound Brazilian third sector sustainability crisis, that has been catalysed by the financial meltdown in 2008, one has to investigate how the foundation and association boom was funded and what are the limits of this kind of funding. GIFE has also been trying to uncover what new resources are available, or could be made available, to consolidate the rich constellation of civil society organisations that grew throughout Brazil in the last twenty years.

There are at least five main sources of funding CSOs, including foundations (see Figure 2 in the next page).

First of all there is the state, with its public money, conveyed through tax incentives or exemptions and through public policies run by CSOs with government funding. In the 1990's, and especially throughout Fernando Henrique Cardoso's presidency (1995-2002), there was a strong drive towards business and civil society participation in the delivery of social services.

The President's anthropologist wife, professor Ruth Cardoso, was a strong proponent of public-private partnerships in actions ranging from illiteracy eradication to wealth generation in poor communities. The expansion of the nursery school system in Brazil has been done in great part by non-profit organisations, funded mainly by municipal governments.

The Brazilian public health system involves government, private and non-profit organisations, and many of the children and adolescent rights policies engage CSOs, with public-private funding.

A second group of funders could be described under the heading of international cooperation. The association and foundation boom in Brazil (especially some more complex expressions of this movement, like the creation of intermediary organisations such as Abong, GIFE and Ethos) was driven by core seed funding from international organisations. Some of them are linked to other governments, such as the United States Agency for International Development (USAID), the European Commission or German foundations maintained by political parties.

There is also another important type of international player that, although small in number, has a tremendous impact. The history of Brazilian philanthropy would probably be different without the funding for CSOs offered by American independent foundations such as Kellogg and Ford, and by European ones such as Avina.

Thirdly, NGOs and foundations also raise funds through religious institutions which, as discussed above, have been proliferating in the country. Fourthly, CSOs might sell products and services, from Christmas cards to training programs and consultancy services, which constitute a growingly important source of cash for them. Social ventures are a global trend.

Lastly, there is philanthropy itself, or private social investment as this kind of activity came to be called in Brazil at the turn of the century. And this is where Brazil follows a unique path. The whole tax exemption/incentive system created in 1988 Constitution establishes that only certain kinds of businesses or individuals can match funds with these resources – notably the ones that make more profit and, because of that, have more complex forms to relate to government tax bodies.

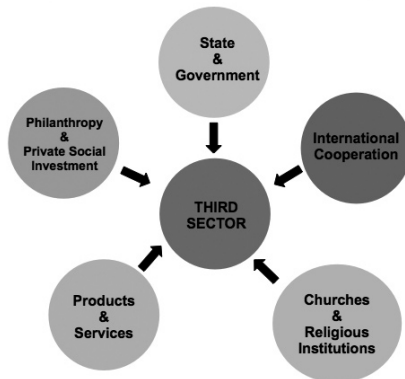


Figure 3: Funding resources for the third sector

The number of businesses that most benefit from tax incentives is estimated by government at around 7 percent of all private enterprises in the country. The number of individuals benefiting from most incentives is also lower than 10 percent. This reiterates that much of the wealth in the country is concentrated in the hands of few.

The third sector boom has received a strong contribution from the business sector and its leaders, who were relevant for the professionalization of the sector, introducing planning and evaluation tools and methodologies. However, the lack of incentives for endowments makes most philanthropy budget planning a yearly procedure.

More research is needed to allocate the exact role of each of these types of funders in the Brazilian civil society organisation boom. But the funding environment of the early 1990s has been changing quite a lot in the last decade. A larger state ideology gained hegemony; international cooperation is moving out of Brazil or simply fundraising in Brazil rather than providing funds from outside; businesses are directly operating their social investments, so there is less traditional grant-making. This has led to a structural sustainability crisis for CSOs.

Confronting a conceptual confusion

Close to the end of the 1990s, there were so many new organisations, programs, projects, networks, alliances, books, courses and so on that it began to be difficult to tell who was who and what was what in the new economic sector which had surfaced from Brazil's democratisation and globalisation.

This conceptual confusion tended to oppose GIFE and Ethos, two of the main intermediary organisations, which started to dispute ideas on social change and members. The solution was to agree on a conceptual division: GIFE's members would gather around the concept of private social investment – defined as “the voluntary giving of private resources in a planned, monitored and systematic manner for social, cultural and environmental projects of public interest” – and the Ethos Institute identified its work with the American-inspired concept of Business Social Responsibility, creating and disseminating a tool for corporate assessment divided into seven broad subjects:

- Values, Transparency and Governance
- Workforce
- Environment
- Suppliers
- Consumers and Customers
- Community
- Government and Society

So GIFE focused on what in the northern Hemisphere is still called philanthropy, or social investment, predominantly with corporate members, but also with independent and family organisations. And Ethos concentrated on building a corporate responsibility ideology and tools for the dissemination of new business practices. Today, many of the corporate members of Ethos have their philanthropic body associated with GIFE.

Nevertheless, the conceptual confusion continues – aggravated by the emergence of the sustainability movement, which is sometimes understood only in its environmental aspect, others referring to the “triple bottom line”: economic, environmental and social sustainability.

Many businesses still call their community work “corporate social responsibility” – although Ethos disagrees with this use of the concept. Sometimes social services delivered to the business’ workforce are called “private social investment”, although this kind of work is not considered so by GIFE.

In the business philanthropic sector a new phenomenon started to develop around 2005: the foundations and institutes, created by companies to look outward to the community and its needs, were summoned by their maintainers to help them introduce social responsibility practices in the business, blurring the more clear-cut conceptual division that had been introduced by GIFE and Ethos in 1999. The social investment staff became a kind of “social intelligence unit” for these businesses.

By the end of the first decade of the twenty-first century the main trend in the corporate sector is the alignment between business social responsibility practices and social investment activities. The largest Brazilian companies have started to dispute international sustainability rankings, to position their brands globally as socially and environmentally responsible. Much like some American companies investing in Brazil, Brazilian corporations working in Africa, for example, have begun introducing social investment actions in the communities where they are building roads or dams.

Social investment tools

One could summarise the development of philanthropy in Brazil in the last two decades in only three steps:

1. Giving the fish.
2. Teaching how to fish.
3. Reorganising the fishing production chain.

Today, the more complex and sophisticated social actions developed by institutes, foundations or businesses have in fact built systemic approaches to social change, taking into account governmental public policies and their many stakeholders. In one Brazilian region a corporate foundation literally reorganised the fishing production chain, generating wealth for poor fishing

families, more income for the municipalities involved, and opening new markets for the products.

But these three steps do not cover the many different arrangements of philanthropy in the Brazil. So in 2005 GIFE developed a new tool which classified philanthropic institutions into five different types.



Figure 4: The private social investment typology

The first type of philanthropic work is the more traditional and, up to today, the prevailing kind, which deals more with the symptoms than with the causes of social problems: giving food, clothes, shelter or gathering and distributing toys in Christmas. This is sometimes called charity or social assistance. Research conducted in 2005 by IPEA, a federal government think tank, showed that around two thirds of the businesses in the country undertook some kind of philanthropic work; and that two thirds of these have very incipient, more charity-like practices.

In a country with the level of misery still encountered in Brazil, this kind of philanthropy is fundamental, but not sufficient to change the root causes of inequality. The Brazilian sociologist Herbert Jose de Souza, known as Betinho (1935-1997), tried to bridge this approach to community with more complex social programs, declaring in the 1990s that “One cannot educate a hungry child”.

The second type of social investment, and the second-most frequent, is called multi-project social investment. It is very visible in bigger institutions which develop many different projects and programs without much alignment between them. Usually the programs in a multi-project organisation illustrate some of its history: for example, it may have started working with kids in the streets, then discovered that a programme was needed for their families and opened one, is then overseen by a new CEO who likes arts and develops a museum, then the government may create a tax incentive for sports programs and the organisation opens another programme in this field, and so on.

Foundations, institutes and businesses usually make their initial contact with GIFE in this second stage of organisation of their social investment. Their first requests are for tools to evaluate the effectiveness of their programs, usually prompted by board members or by people linked to the business.

The need for evaluation in this phase is a misguided hypothesis in most cases, because one cannot evaluate a multi-project institution, due to the organic development of its activities – which emerge without much planning or prior establishment of measurable goals. What multi-project social investment organisations usually need is thorough strategic planning.

The third type of philanthropic institution is transitory from the second to the fourth, and involves the search for focus in its activities. For bigger institutions this can take from many months to a few years. It usually causes a kind of an “identity crisis” in the organisation: what do we do and why? This crisis is aggravated by the fact that to focus does not only mean to have a clearer vision on one’s social investment, but also to concentrate activities in fewer, better-planned programs. Sometimes traditional activities of the institution have to be closed down and pioneer staff have to be sacked. The main symptom in this phase is that the organisation tends to allocate most of its energy and resources inwards, not outwards.

When there is a clear vision, mission, objectives, an action plan, and an adequate, specialised staff to deliver this, the institution becomes strategic or professional – the fourth type of social investment. In businesses there is also a greater alignment in these cases between its private and public interests: information technology corporations build global digital-inclusion programs; food companies develop nutritional education methodologies; telecommunication groups train teachers to use the internet in the public schools they have cabled.

The fifth type of social investment relates to strategic organisations that endeavour to scale up their impact and outreach. To scale-up implies intra and inter sectoral partnerships, frequently working in the building or improvement of public policies. Due to their relatively small investment power compared to governments, many of these organisations adopt a research and development (R&D) approach, building methodologies, training programs or what has come to be known as social technologies which, once tested, can be scaled up through public policies or disseminated through governmental or non-profit institutions, such as schools or hospitals.

More than 80 percent of the 125 members of GIFE invest in education, many developing social technologies that range from managerial tools for schools to complex and broad training programs for teachers.

A scheme such as the GIFE Social Investment Typology is always limited. The choice of building a typology was due to the fact that these types do not represent a linear evolution, from the first to the last. On the contrary, all the five types are important, the first one, for example, having the potential to develop social capital in a community.

Besides, many organisations have characteristics of all the five types – especially the larger institutions. Depending on leadership and

other variables, a strategic organisation can very quickly become multi-project, or a R&D program can have difficulty in scaling up its impact. But this typology is usually helpful for a day-to-day description of a foundation or institute. The staff at GIFE frequently resorts to these types, sometimes combined, to describe its members or prospective members.

2010 scenario

As described above, Brazilian civil society organisations are undergoing a structural sustainability challenge. Besides tripling in number, the easy, “spread and pray” money that flowed out from businesses and their foundations in the 1990s is now much more strategic, professional and focused – an important achievement for intermediary organisations such as GIFE and Ethos.

Civil society is not seen any more as a panacea for social challenges – sometimes it is even reported as part of the problem. The endemic corruption in Brazil has tainted the relationship between governments and CSOs in the public eye. When giving money out, governments tend to simply outsource public policies to CSOs, with very rigid contracts and lower costs, rather than invest in the development of the autonomy and quality of these civil society organisations.

Businesses are also responsible for the damaged image of civil society organizations, including foundations and institutes. Although there are many notable counter-examples, in general businesses tend to prioritize their private interest. Corporate projects with more investment in visibility than in the social action are not rare,

It is quite frequent for a corporation to lose all memory of its private social actions. Sometimes, with the turnover of the staff at a corporate philanthropic sector, the whole organization literally forgets all the activities it had been developing and the partnership relations involved in these actions. At GIFE we call this “systemic amnesia”.

The Brazilian-based private social investment institutions linked to businesses were affected in different ways by the global economic crisis in 2009. The downturn would have been much worse if it had taken place ten years earlier, when social responsibility was more a discourse than a practice. Now it is difficult just to cut all philanthropic programs if this has become part of the culture of the corporation. So in many businesses social investment underwent cuts in budget similar to all other areas.

Many businesses that have their social investment classified in the initial phases of the typology simply cut, almost altogether, their social investments. The most globalised Brazilian industries, such as mining and steel, conducted major cuts in their philanthropic budgets, since they project a diminished income for years. But many maintained, and some (like a few

Brazilian private banks) even increased their funding.

Brazil became an investment-grade country in most international rating agencies in 2008-2009, while many more developed economies were caught by their biggest crisis in decades.

Global philanthropy is also undergoing structural changes, due to many, complex variables. International cooperation has decided either to move out of the country to more deprived societies in Africa or Asia, or to reposition their sustainability model, maintaining their work in the country with national resources. American foundations are focusing more in their own country and its borders, especially Mexico. Haiti is also drawing attention and resources.

The Kellogg Foundation closed its Brazilian office in August 2009. Ford Foundation re-focused from more than ten programs to only four. Oxfam has announced it will move out. Since 2008 USAID has been using its social responsibility money mainly to promote American corporate social investment achievements in Brazil.

Since 2008, the UK-based Charities Aid Foundation (CAF) has been delivering services to wealthy families through the local support organisation IDIS (Institute for the Development of Social Investment). In 2009, Save the Children merged with the Abrinq Foundation – the social investment branch of the Brazilian toy industry association quoted above.

The overall perception is that there is wealth and opportunity in the Brazilian third sector marketplace. Provided that the global economic crisis does not break out again, the 125 members of GIFE will probably invest more than 1 billion USD in 2010 in social, environmental and cultural projects. Recently the pop star Madonna fundraised more than 10 million USD for her charity work in Brazil. In 2011, Worldwide Initiatives for Grantmaker Support (WINGS) will move its secretariat to Sao Paulo.

A recent Ford Foundation research on the sustainability of its grantees showed that these social leaders perceived many challenges and threats to their organisations, but with a few exceptions were generally optimistic about the future and planning expansions of their work.

In politics the whole American continent has shifted in the last ten years, from a small to a large state ideology. The Argentinean president Carlos Menem (1989-1999) is a good representative of the 1990s hegemonic vision of a small state. Venezuelan president Hugo Chavez is now a leading, strident political voice. Menem's policies led to the bankruptcy of Argentina. Chavez' impacts are not yet clear, but Venezuela does not seem to be in good shape. Menem had his continental counterparts: Vicente Fox (Mexico), Fernando Henrique Cardoso (Brazil) and in the US Bill Clinton and later George W. Bush. Chavez is the caricature of a wider movement: Luiz Inacio Lula da Silva (Brazil), Evo Morales (Bolivia), Rafael Correa (Equador), Felipe Calderon (Mexico), and in the US, Barack Obama.

In the 1990s there was a predominant drive towards market and civil society autonomy throughout most American societies. In the 2000s the trend is towards a stronger state presence. In the long term, it might be more sustainable to try to balance these political forces.

The 2020 vision for Brazilian social investment

The underlying question for Brazilian private social investment is how to continue developing and professionalising the sector, and at the same time make new resources available for thousands of CSOs which were created and sustained in the last twenty years by sources that are either leaving the country or being refocused into new kinds of action.

During 2009, GIFE conducted a participatory planning process with its network leaders to build a ten-year vision for the private social investment sector in Brazil. This process was still underway when this article was concluded. The main results were planned to be presented in the sixth GIFE Congress on Private Social Investment – Visions for 2020, in Rio, in the first week of April 2010. Around a thousand participants were expected at the reunion, one of the largest of the Brazilian third sector.

The GIFE Vision for Private Social Investment in 2020 consists of three main axes, or objectives:

- Social Legitimacy and Relevance
- Thematic and Geographic Scope
- Diversity of Social Investment

The first axis is related to the more traditional activities of a foundation association or support organisation: to build legitimacy and relevance for social investment practices in society, the sector has to improve its managerial and governance models, to articulate its actions with other social actors in the field, to measure the impact of its different programs, and to communicate these activities in a clear way to all stakeholders.

The second axis deals with the present concentration of Brazilian social investment in some thematic areas – such as education, culture and youth – and in specific regions of the country, usually nearer to where the wealth is produced – like Sao Paulo and Rio – than where it is most needed, such as the north and northeastern regions of Brazil.

The thematic and geographic concentration of Brazilian social investment is due in great part to the predominance of corporate philanthropy in the country. This happens because of the legal framework that gives more incentives for these corporations, and to the fact that most of Brazilian businesses are still run by their founding families – so these tend to operate their social investment through their business and not through a family foundation or institute.

Corporate philanthropy, even the most sophisticated and social justice-oriented, has a very palpable limit: the brand. It is rare for a corporation to get involved in polemic causes or in social actions that might generate any conflict. So the main tendency is to invest in consensual fields, such as education and culture, rather than in potentially riskier themes such as human rights, corruption control or rural land property.

The NGOs related to more polemic issues have been funded in the last 20 years either by the government or by international cooperation – which, as demonstrated above, is moving out of the country. There are nowadays very few resources available for watchdog organisations in any field. The structural sustainability challenge for civil society organisations in Brazil has been striking especially those which deal with more complex issues of social justice and develop their work in regions where there is less visibility for the investment's results.

The main viable solution for this concentration of social investment in more consensual themes and richer and more visible geographical regions is its diversification in the country. Brazil has some of the most interesting and innovative corporate social investment experiences in the world – and needs to continue developing this field, which has been contributing significantly to the qualification of certain public policies in the country, notably education. But only a more diversified sector, with new family, community and independent foundations, can make resources available for other social issues and regions.

This diversification of philanthropy has already been sparked by the emergence of family foundations and the creation of some independent thematic funds that invest in projects ranging from human rights and environment to gender and racial relations. The first phenomenon has to do with the rapid development of Brazilian businesses, which are globalising and professionalising, with many of them going public through national and international stock exchanges. Recently one of the main Brazilian cosmetic industries went public, introducing its three owners into the Forbes ranking of billionaires; a year later, two of these three billionaires created their own family foundations.

The Kellogg Foundation's exit strategy from Brazil is to leave a multi-million endowment to fund NGOs with programs linked to racial relations. Kellogg is also partnering with the Ford, Oak and AVINA foundations in the recently created Brazil Fund for Human Rights – also with an endowment-building, long-term strategy.

The approval of new legislation for non-profit organisation endowments could have a very significant effect on the diversification of Brazilian social investment – which at present depends on yearly budgets and fundraising procedures. There is also a need for a revision and qualification of the present practices in the funding of civil society organisations by the state.

If in the next ten years Brazil is able to implement actions to achieve these three overall objectives, it might in 2020 have a more relevant and legitimate social investment sector, which invests its resources in a wider range of themes and geographic areas, including other countries, through a diversified assortment of sustainable philanthropic institutions.

