

# PERSPECTIVES FOR BRAZILIAN PHILANTHROPY 2022



**IDIS**  
DEVELOPING STRATEGIC  
PHILANTHROPY

# SOCIETIES ARE MORE COMPLEX. PROBLEMS TO BE FACED TOO.

In the 19<sup>th</sup> century, one of the great names of philanthropy, the entrepreneur Andrew Carnegie, said it was easier to make a fortune than to give money away wisely. More than a century separates us from that statement, and since then societies have become more complex, as have their problems. And the challenge faced by philanthropists, who want to generate the greatest possible impact with their donations, has grown considerably, after two years of the pandemic and its consequent economic and social crisis.

Thinking about the decisions which Brazilian philanthropists will face in 2022 that we prepared this article, bringing some perspectives we see in our daily work, both in Brazil and abroad. Perspectives work like

windows opening onto different landscapes, and in each one something different is happening that can influence the way the private social investor understands the context in which he/she is inserted, the various possibilities within his/her reach, and the effects of his/her resolutions.

It should be clear that we have never intended to draw a complete picture of reality and of what should be considered by a philanthropist when reflecting on how he or she intends to make donations. But we do have the intention of enriching this moment and, somehow, contributing so that the social investor has more elements to collaborate with in order for his/her decision to be the best for him/her, the best for the beneficiaries, and the best for Brazil.

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# MORE GRANTMAKERS, FEWER OWN PROJECTS

**Philanthropy gains relevance in its role as funder of civil society organizations that seek solutions to complex problems.**

Brazilian philanthropy is very much marked by the execution of its own projects. Largely due to the predominance of corporate social investment with a more project-making vocation. But this characteristic was put in check when faced with the pandemic urgency. It was necessary to react quickly, and many philanthropists realized it would be more efficient to finance projects led by civil society organizations (CSOs), or even transfer to them the management of their own initiatives, than to try to build solutions their selves. The result is that 87% of the resources for dealing with the effects of COVID-19 were allocated to third parties<sup>1</sup>.

Within the context of increasing grant-making there is another change that is starting to emerge. Philanthropists become concerned not only with the success of projects, but also with the strengthening of civil society organizations. The insuff-

iciency of the model of making donations only for specific projects was visible during the pandemic, when hundreds of organizations, prevented from continuing their activities, had no resources to maintain their own structures. Many received donations of food parcel to be distributed, but could not find donors to help pay the rent or the electricity bill.

This logic is slowly changing with the emergence of philanthropic entities focused on the institutional strengthening of civil society organizations, which means, well management, teams capable of finding solutions to internal problems and a financial structure that gives them a reserve of resources to face adversities. For now, the trend is more noticeable in family-oriented entities, but it gradually advances to corporate entities. Unfortunately, it seems far from reaching the government.

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<sup>1</sup>GIFE 2020 Census

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# EMERGENCY VS LONG TERM

**Strategic philanthropy finds itself at an impasse between short-term needs and looking to the future.**

The maturation of philanthropy in Brazil had been showing a trend towards long-term investments, to the detriment of emergency actions. The health crisis and its consequences, however, greatly increased the need for welfare actions, such as direct distribution of food, basic supplies and even money.

During this period, unemployment, hunger and poverty grew in Brazil, deepening the inequality gap. The needs have expanded because the pandemic has shown, for example, those who do not have access to internet cannot study, miss opportunities for health care and do not inform themselves. Urgency demands action.

On the other hand, instruments aimed at strategic philanthropy and long-term planning aimed at systemic changes and influence on public policies continue to evolve in the country, such as endowments and the growing investment in impact assessment, understanding this is a potent instrument for better allocation of resources. This transformative approach needs to advance because it is the one that leads the way towards the definitive answer to the problems, while welfare actions ensure that people are able to keep moving forward and, who knows, one day benefit from the solution built.

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# CAUSES HAVE STRENGTHENED

**Even in the midst of the health and economic crisis, the strength of some causes has not been shaken. They gain new formats and are more important than ever.**

We have detailed three axes that particularly stood out, but we cannot fail to mention causes such as the fight against poverty, the struggle for human rights and equity of other groups, and the protection of democracy are also highly relevant and attract attention today.

## RACIAL EQUITY

It was impressive to see, in May 2020, in the midst of the COVID-19 pandemic, how the murder of the African American, George Floyd, by the United States police, made headlines and the #BlackLivesMatter movement conquered the streets and spaces around the world. The black movement and the anti-racist agenda were leveraged, with increasingly effective and concrete responses emerging, and never left the news.

Research carried out by Ipsos<sup>2</sup> on trends in 2021 showed Brazil in the penultimate position of a ranking of 24 countries, classified according to the level of population agreement with the statement “people of different origins and ethnic minorities are treated fairly in my country”.

For any philanthropist these days, it is almost impossible not to consider race bias in their actions. From supporting projects aimed specifically at this cause, to looking at the diversity of their own organization’s staff. And what started as a fight focused on the African American population quickly expanded, as evidenced by the emergence of the acronym BIPOC (Black, Indigenous and People of Color) to define the target group of anti-racist initiatives.

It is worth noting that there are other struggles for equity, such as women who seek gender equity, the LGBTQIA+ population and people with disabilities.

## FIGHTING CLIMATE CHANGE

Climate change left the field of hypotheses and invaded the daily life of almost the entire global population. Heat waves, freezing winters, droughts, floods and other extremes are hitting the most diverse parts of the planet and claiming victims in increasing numbers. There is no longer any doubt about the urgent need to combat climate change.

<sup>2</sup> Ipsos Global Trends 2021 Survey: <https://www.ipsos.com/en/global-trends-2021-aftershocks-and-continuity>

A survey carried out by Ipsos in 2021 showed Brazil as the second country which most agrees that we are heading for an environmental disaster unless we change our habits.

This is one of those complex problems that needs to be tackled by all sectors simultaneously, and philanthropy will contribute by funding the search for and testing of new solutions, as well as the Third Sector's own adaptation to more environmentally sustainable practices.

### **ACCESS TO TECHNOLOGY AND CONNECTIVITY**

The COVID-19 pandemic has exposed the precariousness of access to technology and the internet among the lowest-income population. This inequality is the main one of several other inequalities. It is enough to mention the average individual income of households with internet use was twice the income of those who do not use the network, in 2019, according to IBGE<sup>3</sup>.

Many professionals were unable to do home-office during social isolation. According to a study by the Brazilian Institute of Economics of Getulio Vargas Foundation, only 10% of Brazilian workers were able to work from their homes, when the potential was 25%. The difference was because people simply did not have the basic conditions for this to happen<sup>4</sup>.

The same happened with students, who could not study at home and spent practically two years isolated from the formal education system, causing an educational deficit that needs to be overcome. When they return to face-to-face classes, they will find a similar picture. A quarter of Brazilian schools are not connected, and among the 75% that have access, only 14% have sufficient speed for students<sup>5</sup> to use.

The democratization of access to technology and to internet is another cross-cutting issue that Brazilian philanthropists need to address and can best be tackled in collaboration with the public sector.

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<sup>3</sup> Source: Continuous National Household Sample Survey (Continuous PNAD), IBGE, fourth quarter of 2019.

<sup>4</sup> O Estado de S. Paulo Newspaper: <https://economia.estadao.com.br/noticias/geral,no-brasil-home-office-foi-realidade-para-poucos,70003938626>

<sup>5</sup> Source: INEP, 2020 Census

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# THE COMMUNITY AS A PARENT CELL OF PHILANTHROPY

**In the most difficult moments, the problems are concentrated in the communities, as well as the solutions.**

The pandemic has shown that in the most difficult times, problems are concentrated in vulnerable communities, whether in the precariousness of the health system, or in the lack of work and income. At the same time, it is also in the community where the keys to solutions lie. Gigantic mobilizations led by community leaders, such as the one carried out by CUFA (*Central Única de Favelas* – charity that serves Favela communities), ensured food and basic necessities for slum residents across the country.

The GIFE 2020 Census showed that 63% of respondents had some territorial activity, with 53% saying that there was a change in their way of working with communities and this change should remain after the end of the pandemic.

An example of this trend is the Transforming Territories program, an IDIS initiative with the Charles Stewart Mott Foundation launched in 2021 to foster the creation and strengthening of Community Institutes and Foundations in Brazil.

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# COLLABORATIVE AND PARTNERSHIP WORK

**We get further when we walk together and, contrary to the saying, we get there faster too.**

There has been talk for a long time about the need to act in partnership, but the truth is that it is not easy to give up power and control over our initiatives. However, the pandemic has made it clear that we get further when we walk together and, contrary to the saying, we get there faster too. Above all, no single institution or sector, in isolation, has the solution to the complex problems that we face nowadays.

The world in general and Brazil in particular are experiencing situations of bipolarity that fray the social fabric and make dialogue difficult. Philanthropists, however, can build partnerships within their networks, helping to connect CSOs, companies and government.

We also count on the stimulus brought by the adoption of new technologies, which, despite often distancing those who are close, bring those who are far closer together, allowing interdependence and identity to be established between institutions and sectors which did not communicate with each other, facilitating the construction of new and innovative.

The global movement Catalyst 2030, which has a Brazilian chapter, was created to promote collaboration between social entrepreneurs to accelerate the achievement of the UN Social Development Goals. The group has thousands of participants and joint initiatives.

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# BUSINESS MORE ENGAGED

## Pandemic experience and pressure from investors and consumers lead companies to increase donations.

Several factors contribute to companies becoming more engaged in social action. Many became involved for the first time in 2020 and a part decided to continue the practice, even after the most dramatic moment of the pandemic. This positioning is consistent with the pressure on both sides of its operation: investors and consumers.

On the investors' side, the ESG (Environment, Social and Governance) agenda gains relevance. In the end of 2021, the Securities and Exchange Commission (*Comissão de Valores Mobiliários*, CVM) announced that, from 2023, data on ESG practices must be included in the companies' reference form with the stock<sup>6</sup> market. The measure values these indicators even more, which are already a selection criteria for the composition of certain funds. Brazilian companies still invest relatively little in ESG guidelines and the space for growth is immense. Especially if we consider that many companies start to understand private social investment as a path to strengthen the 'Social' of the acronym.

On the consumer side, there is increasing pressure for companies to take a stand and intercede when the government does not solve society's problems. More than two-thirds (68%) of the population agrees with this statement and 59% of Brazilians expect CEOs to speak out publicly about social issues<sup>7</sup>.

The Ranking of Corporate Donations 2020, prepared by IDIS, shows numbers never reached before by the social investment of companies.

Considering the GIFE 2020 Census showed that almost two thirds of donor institutions are companies or business institutes/foundations and they account for 85% of donations, this new position represents a considerable volume of resources. Even if there is a reduction compared to the total donated in 2020, 60% of donating companies declared that they intend to maintain or increase the total amount of social investment in the years 2022 and 2023.

***“We are entering the era of corporate social justice”***

**Lily Zheng, in an article in the Harvard Business Review, 2020<sup>8</sup>**

<sup>6</sup> Valor Econômico Newspaper: <https://valor.globo.com/empresas/noticia/2021/12/29/cvm-adota-norma-para-divulgacao-de-informacoes-de-esg.ghtml>

<sup>7</sup> Edelman Trust Barometer 2021 - [www.edelman.com.br/estudos/edelman-trust-barometer-2021](http://www.edelman.com.br/estudos/edelman-trust-barometer-2021)

<sup>8</sup> Harvard Business Review: <https://hbr.org/2020/06/were-entering-the-age-of-corporate-social-justice>

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# IT IS NO LONGER JUST PHILANTHROPIC CAPITAL THAT GENERATES IMPACT

**The possibility of reconciling profit with a positive impact is increasingly attractive to new and old investors.**

The entry of impact businesses on the scene has given financial investors the possibility of earning money while producing socio-environmental results. Since then, the generation of positive impact is no longer exclusive to philanthropic capital. And new possibilities continue to emerge with the adherence of many institutions to so-called impact investing, such as the traditional Schroders, whose advertising says that “financial return is only part of the story”.

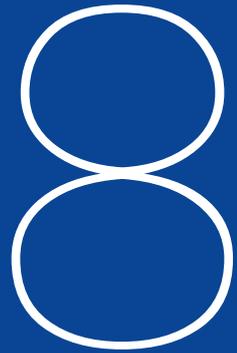
Among the novelties, is Blended Finance, which, as its name implies, is a mixture of capital with and without the purpose of profit. The idea of Blended Finance is to finance the structuring of an impact business through donation (non-profit capital) and later invest in this business to obtain income (capital for profit purposes).

The possibilities of obtaining a positive socio-environmental impact without giving up

profits represent an excellent investment opportunity for the resources deposited in endowments. There is growing concern about the type of investment made by endowment resources to avoid financing operations that contribute to the deepening of inequality. The report “Top considerations for endowments and foundations in 2022” highlights those foundations and endowments will be even more interested in impact investing.

Finally, we have seen the explosion of donations through cryptocurrencies. According to the Giving Block platform, which leads the ‘crypto’ version of Giving Tuesday, in 2021 around a thousand organizations participated in the campaign, ten times the number of the previous year. Together, they raised USD 2.4 million, which represented an increase of 583%. Gradually, Brazilian organizations also begin to raise funds through this resource.

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# GENERATION Z IS COMING WITH A DIFFERENT LOOK AT PHILANTHROPY

**Millennials are already making their mark on philanthropy. And now, what to expect from Generation Z?**

Generation Y or *Millenium*, as it is better known, has already landed in the field of philanthropy and is leaving its marks, proposing initiatives with a more systemic and transformative look and data-based decisions.

The next ones to arrive will be the so-called Generation Z, as those born between 1996 and 2014 are classified. They already came with 'embedded' technology and do not even know what a world without internet is like. They seek financial<sup>9</sup> stability, they are discerning consumers and their main characteristic is to see the possibility of having a positive impact through all their decisions and not just through philanthropic initiatives.

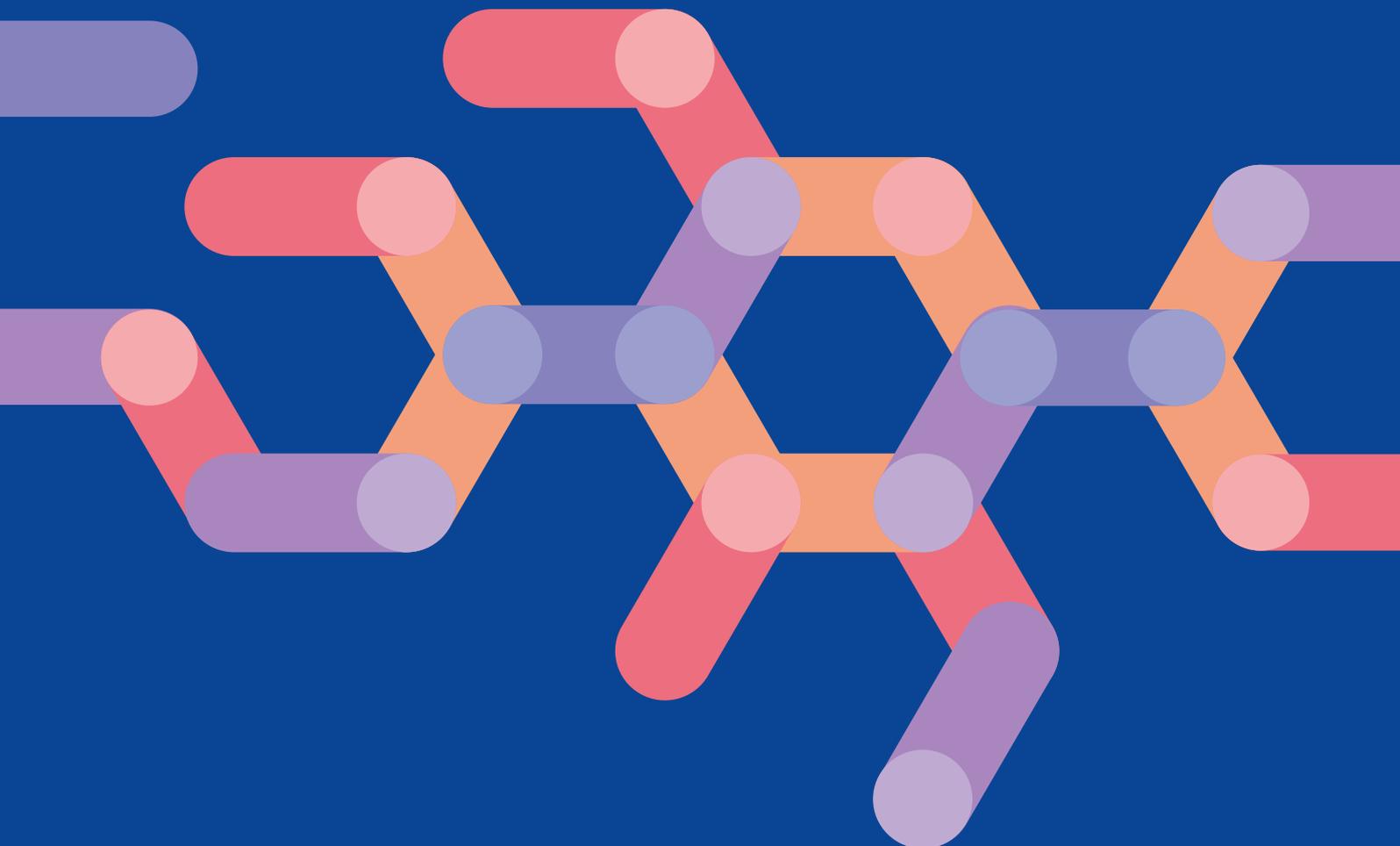
It is like a natural form of constant activism. When choosing the companies from which they will buy or where they will work, in the definition of the idols they will follow, in the way they travel, in food, the social and environmental impacts embedded in their

decisions are always being considered. This attitude means they do not have to wait to gather wealth or receive an inheritance to start worrying about philanthropy.

The results of the Brazil Giving Survey 2020 show that young people remain confident in civil society organizations and in the power of donation. Almost half (45%) of young people aged between 18 and 29 believe that CSOs are very responsible for solving the country's social and environmental problems, while among the general population, only 34% have the same opinion. Young people also have more confidence in the Third Sector, with 32% of them fully agreeing that CSOs make it clear what they do with the resources they apply. In the Brazilian average, this degree of agreement is 24%. And  $\frac{3}{4}$  of young people are sure that donating makes a difference, a proportion much higher than that of society in general, which stands at 67%.

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<sup>9</sup> Next Gen Personal Finance: [www.ngpf.org/](http://www.ngpf.org/)



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