

BRAZILIAN ENDOWMENTS OUTLOOK

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With the collaboration of
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IDIS
DEVELOPING STRATEGIC
PHILANTHROPY

ABOUT IDIS



We are IDIS – Institute for Development of Social Investment, a civil society organization founded in 1999 and pioneer in technical support to social investors in Brazil. With the mission to inspire, support and promote strategic philanthropy and its impact, we serve individuals, families, companies, institutes, and foundations run by companies and families, as well as civil society organizations, in actions that transform realities and contribute for the reduction of social inequality in the country.

Our actions are based on the tripod **generating knowledge, offering advisory** and **developing social impact projects** that contribute to the strengthening of the ecosystem of strategic philanthropy and of giving culture. We value partnerships and co-creating, and believe in the power of connection, of joint learning, of diversity and plurality of points of view.

ABOUT THE AUTHORS



Paula Jancso Fabiani, CEO of IDIS, has a career marked by her work in the fields of philanthropy and giving culture, being at the forefront of initiatives such as Pesquisa Doação Brasil (Brazilian pioneer research on individual giving), the Brazilian Philanthropy Forum and the Brazilian Endowment Coalition. In 2020, she won the Social Entrepreneur Award, run by Folha de S.Paulo, one of Brazil's major media outlet, for the leadership of the Emergency Health Fund – Coronavirus Brazil. In the field of political influence, she was successful in passing two laws, at the state and federal levels. Author of three books on Endowments and a book on Early Childhood, Paula is the only Brazilian certified in the SROI (Social Return on Investment) impact assessment methodology by Social Value UK. Economist graduated from FEA-USP, with an MBA from the Stern School of Business - New York University and specializations in the country and abroad, she is a RAPS Civic Entrepreneur, founder member of Catalyst 2030 Brazil and a member of the boards of WINGS and Instituto Mol and also she is part of social advisory committee of BTG Soma Program. Currently, she is a student of PhD in Administration from FGV, in the research line on Operations and Sustainability Management.



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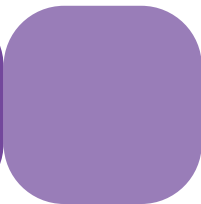
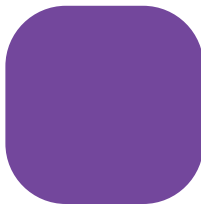
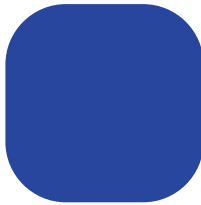
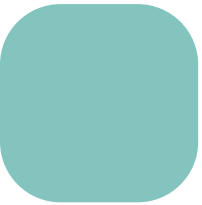


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INTRODUCTION



The first registered endowment in Brazil dates from 1956. The model, however, was not adopted by many organizations, and only in the decade of 2010 it started becoming more popular. The first law that regulates endowments was created in 2019 and since then the debate around them has been rising.

Little by little, there were news about new endowment, but there was no information about their number and sizes, or where they were located and causes they benefited. These are some of the questions that we at IDIS often hear. And the problem is that there was no data to answer them. Despite seeing the fruits of our efforts, we were not sure about the size of the endowment fund field in the country, nor its characteristics.

It was the urge to answer these questions, and many others, that led us to develop the BRAZILIAN ENDOWMENTS OUTLOOK. After more than ten years of advocating for the regulation of endowment funds in our country, providing technical support for the creation of more than ten funds, and launching six publications on the subject, we wanted to have a clear picture of how far we have come.

The challenge was easy, as endowment fund managers are not used to disclosing numbers, let alone talking about their own difficulties. To our surprise, some traditional funds were willing to participate promptly, and this attitude spurred others to do the same. We gathered information on 58 endowment funds, six of which are still in the planning or structuring phase. In this publication, we have gathered the highlights we consider most important for the international public and those who are interested in learning more about this important aspect of philanthropy in Brazil.

The complete study is available in Portuguese at www.idis.org.br/coalizao

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HISTORY



The history of endowment funds in Brazil begins in 1956, when banker Amador Aguiar, founder of Bradesco, one of the largest private banks in the country today, created the Bradesco Foundation and donated shares of the Bank to establish an endowment to perpetuate the organization.

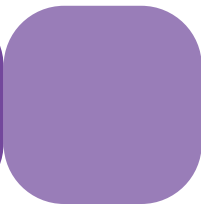
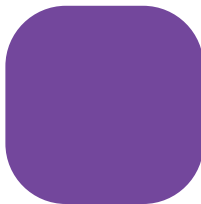
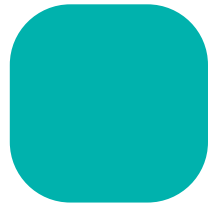
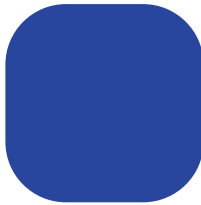
The example of Amador Aguiar was followed by a few businessmen, but the movement stagnated for several decades, until the new generation of the family in charge of the Maria Cecília Souto Vidigal Foundation, at the beginning of the 21st century, decided to modernize its fund assets and encourage the creation of endowments by other institutions in Brazil.

A few years later, in 2011, realizing the importance of the instrument for the maturation of the philanthropic field, IDIS embraced the cause and began to advocate for the regulation of endowment funds. The work included activities such as the production and dissemination of content on the subject, holding events, activating the press, networking, and mobilizing with the government and parliamentarians.

The legislation that regulates endowment funds in Brazil was only approved eight years later, in January 2019, after the formation of the Coalition for Endowment Philanthropic Funds, a network that brings together more than seventy institutions and people from various sectors led by IDIS and active to this day. During this period, the interest in endowments grew and new endowments were created.

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**BRAZILIAN
ENDOWMENTS OUTLOOK**



Surveying Brazilian endowment funds was almost an investigative work. Although they have existed in the country since the 1950s, the culture of endowments is still incipient and the information, in most cases, is preserved internally and exposed only in the financial statements, understandable only by insiders.

A quantitative research was carried out through an online questionnaire sent to the institutions that manage the endowment funds. Our minimum goal was to obtain data from 40 funds, which we imagined would represent a volume that would allow us to call the publication an 'outlook'.

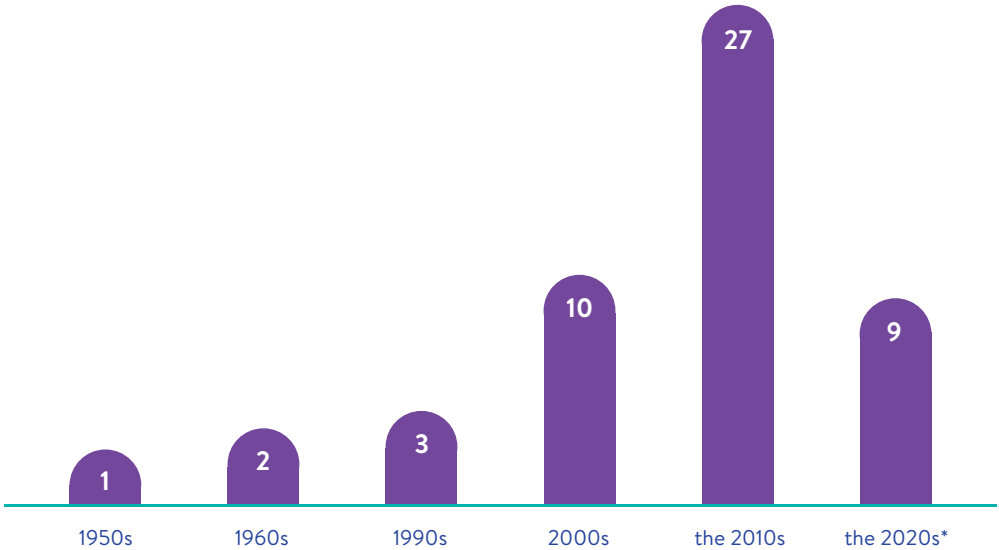
The result of the survey is a list of 52 active endowment funds, spread from North to South of Brazil, dedicated to 19 different causes and with resources ranging from USD 12 thousand to USD 15 billion, without considering the information of the six new endowment funds that are in planning or structuring phase.

The analysis was complemented by consultations with other documents and studies and conversations with leaders and experts, which allowed us to interpret the data with greater clarity, highlight the challenges that are projected for the future and describe in detail the story that brought us here.

EVOLUTION OVER TIME

The survey clearly shows the acceleration of the creation of endowment funds as of the beginning of the 21st century. This movement was accentuated by the enactment of the Endowment Funds Law in 2019. To illustrate the momentum, 23% of the active endowment funds presented in the study (equivalent to twelve) were established after the enactment.

Evolution of the endowment funds creation



*the 2020s counted to 2021

Data given by managers of endowment funds; 50 endowments

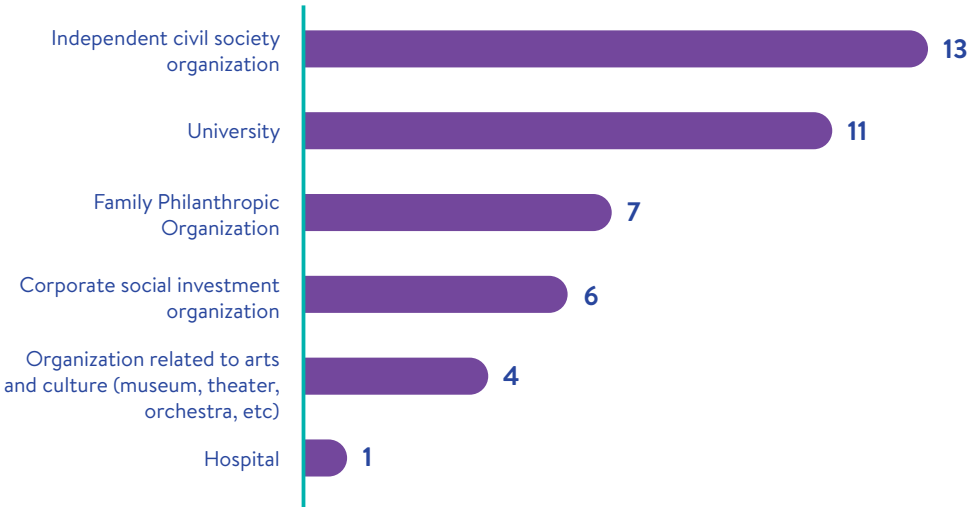
GEOGRAPHIC DISTRIBUTION

The geographical distribution of endowment funds is profoundly unbalanced, with an intense concentration in the state of São Paulo (38), the richest in the country, and scarce in the North-Northeast direction, the two poorest regions in Brazil.



MOST MOBILIZED SECTORS

Among the various sectors that can benefit from endowments, Higher Education was the one that most mobilized to create endowments. And even after the publication closed in March 2022, we saw the emergence of two more new endowments, one linked to a university and the other to a college. The chart below shows the ranking of 42 endowments that claimed to benefit specific institutions.

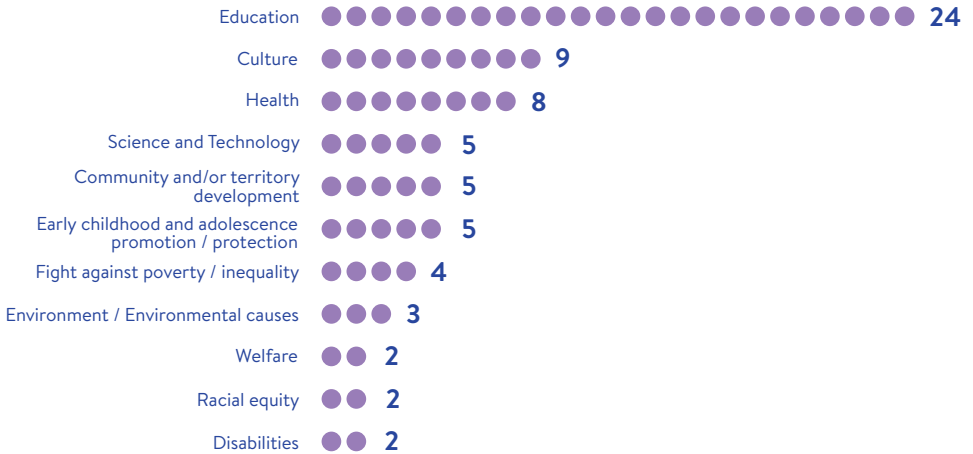


Data given by managers of endowment funds; 42 endowments that benefit specific institutions

TOP CAUSES

Historically, in Brazil, the favored cause of philanthropists and corporate social investors is Education. This trend is clearly repeated when it comes to endowments, as 40 of the 52 endowments analyzed declared to defend specific causes and there is a strong presence of Education. Each endowment fund could indicate up to three supported causes. In total, 19 different causes were cited and, in the chart below, we show those that have at least two endowments in their defense.

Number of funds defending causes



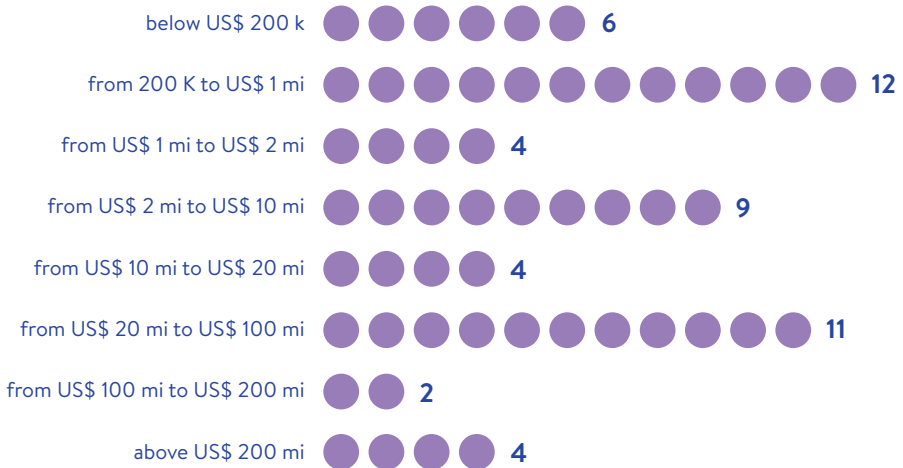
Data given by managers of endowment funds; 40 endowments

ASSET SIZE

As Brazil has a new culture of endowments, it is natural to find a greater number of endowments with a relatively low volume of resources, with a big concentration between US\$ 200 thousand and US\$ 1 million.

But it is interesting to notice that, right behind, comes the endowment funds between US\$ 20 million and US\$ 100 million, that is, a much higher value level.

Endowment Funds' assets*



TOTAL VOLUME OF ASSETS IN BRAZILIAN ENDOWMENT FUNDS: USD 15.8 BILLION.

* Approximate exchange rate in April 2022: USD 1 = BRL 5

Data given by managers of endowment funds; 52 endowments

GREAT CHALLENGES

We have asked managers the biggest challenge they face. Predictably, the majority indicated fundraising as the greatest difficulty. Soon after, it is to maintain the profitability of the endowment fund, considering that 2021 was a very bad year economically for Brazil. Then, the management and consolidation of the assets themselves are what most worry managers.



Base: 46 endowment funds that informed their main challenge
Source: data given by managers of endowment funds

Data given by managers of endowment funds; 46 respondents that informed their main challenge

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CONCLUSION



The approval, in early 2019, of the Law 13,800/19, which regulates the creation of endowments in Brazil, put endowments definitively on the agenda of the impact and nonprofit sector and made it possible for new funds to arise.

One of the consequences was the emergence of a whole range of consulting services for structuring endowment funds, specialized legal support, fundraising services, dedicated sectors within financial institutions, and even the interest of academic researchers.

All these areas can be considered indirect beneficiaries of the endowments and still have ample room for evolution until reaching the standard of other countries in which the culture of endowments is more developed.

Especially the financial market, which is beginning to rely on the patient capital of endowment funds to invest in sectors whose returns only appear with time, such as infrastructure and impact businesses, which are so important for Brazil.

Despite celebrating all these advances, we know that we have not yet managed to build an ideal regulatory environment and that there are still great challenges ahead. The main ones are the extension of the tax incentive to causes other than culture and the tax equivalence of the organization managing the endowment fund to that of the beneficiary institution.

We believe that after these achievements, which will bring more tax security, we will have even greater adherence to the idea of endowments and, consequently, a social field less vulnerable to external crises.

REALIZAÇÃO



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