



# **Effective Philanthropy in Brazil**

A study of existing  
barriers and potential  
actions to increase  
and improve effective  
philanthropy in Brazil

**January, 2008**



## Philanthropy in Brazil – Country Assessment and Strategy

Brazil is a country with a large low-income population. It has one of the world largest income disparities, and increasing elite of business people and upper-middle class with significant wealth. However, even considering all the relevant improvements in the past decades, philanthropic levels are still low.

Why are giving levels so low? What would have to be done to increase donation levels significantly?

With the aid of McKinsey Social Sector Office, we launched a study on Brazil donation habits and barriers, as part of the McKinsey Global Philanthropy Initiative, aiming at a debate on the topic. This document summarizes the findings and recommendations of our study.

### EXECUTIVE SUMMARY

Overall, the social sector in Brazil has shown tremendous progress over the past decade. Even though there are no updated numbers on philanthropy levels (which already suggests a limited debate), data indicate that contribution has grown since the last comprehensive study (in 1995), when Brazil showed 0.3% of the GDP, below international standards (0.8% of GDP) and even below the Latin America average. Despite the growth perceived in the past decade, our best estimates (from available data) and the general belief point to a clear potential to double, triple, or even quadruple donation levels over the next years.

In order to fulfil its potential and increase participation in the different donor segments, Brazil would have to overcome a few challenges, mostly in infrastructure (to facilitate effective investment flow), and in cultural aspects. Today, there is limited discussion on effective social investment (in all segments), a “market failure” between donors and recipients, and limited capability in Non-Profit-Organizations (NPOs) to receive as well as to manage resources.

Among the several potential paths for improvement, we envisage 5 main strategic ones to be pursued by the sector and its stakeholders:

- Increase real collaboration among HNWIs and company donors, focusing on effective social investment;
- Create mechanisms to increase awareness and participation of individuals in general, including use of unexplored tax benefits;
- Improve infrastructural areas, such as intermediaries of information and evaluation of recipients or donation vehicles (e.g. donor-advised funds);
- Develop a robust, broad reach capability-building program for recipients (NPOs); and
- Foster awareness of the potential and positive cultural shift towards effective philanthropy in the Brazilian society.

## INTRODUCTION

Before analyzing our findings, it is important to bear a couple of disclaimers. Firstly, in this article philanthropy is being regarded as all private capital given by individuals or companies to the social sector (excluding political donations). We do understand that there is a thin line between real philanthropy and corporate social investments, which usually aim at a corporate strategy. Given the current Brazilian landscape, it is very difficult to distinguish these two forms of social investment. For example, should a donation made by a company foundation owned to a family owned-business should be considered a philanthropic activity by its owner or a corporate investment? We do not intend to answer these conceptual questions, but rather try to analyse the overall panorama and identify the key opportunities for the sector as a whole.

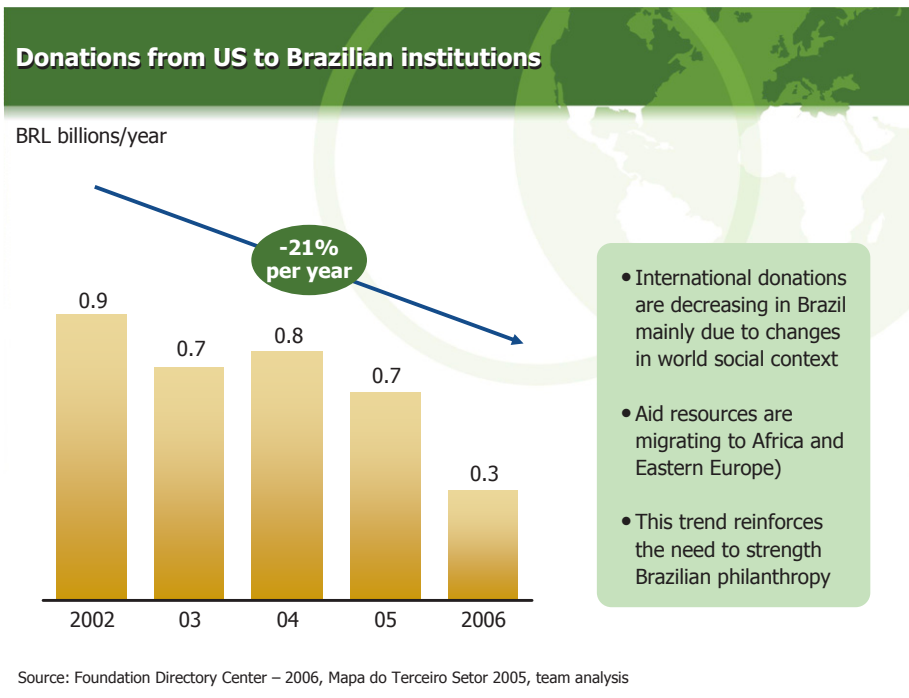
Secondly, there is a limited amount of data on donation levels in Brazil. This fact per se indicates an opportunity for a richer debate on the topic. The last comprehensive study, conducted in 1995 by John Hopkins University, asserts that Brazilians donate around 0.3% of the GDP per year. This ranks below the Latin American average of 0.4% and is less than half of the world average of 0.8% of the GDP. More recent data suggest similar figures, such as IPEA<sup>1</sup> estimate for the corporate social giving level of 0.27% of GDP in 2004 (excluding individuals). Analysed data suggest that the overall

<sup>1</sup> "A Iniciativa Privada e o Espírito Público" - IPEA, July 2006

donation volume in Brazil is around R\$7-10 billion/year. Based on our best estimates, we believe Brazil has progressed in the past ten years; however philanthropic levels should be still below the potential. Independently of the exact figures, we believe the Brazilian society has an opportunity to move to the next level of effective philanthropy.

This call for improvement is reinforced by the decreasing importance of foreign capital invested in social causes in Brazil. From 2002 to 2006, the amount of US donations in Brazil was reduced by ~70%. The trend of moving US/Europe capital to Asia and Africa should continue, thus placing pressure for the Brazilian society to more and more take the lead on its social issues (Exhibit 1).

### Exhibit 1 – Evolution of Foreign social donations to Brazil



To better understand Brazilian giving levels, we started by investigating the philanthropy system, and what drives the level of giving. We have examined six different aspects with that regard (Exhibit 2).

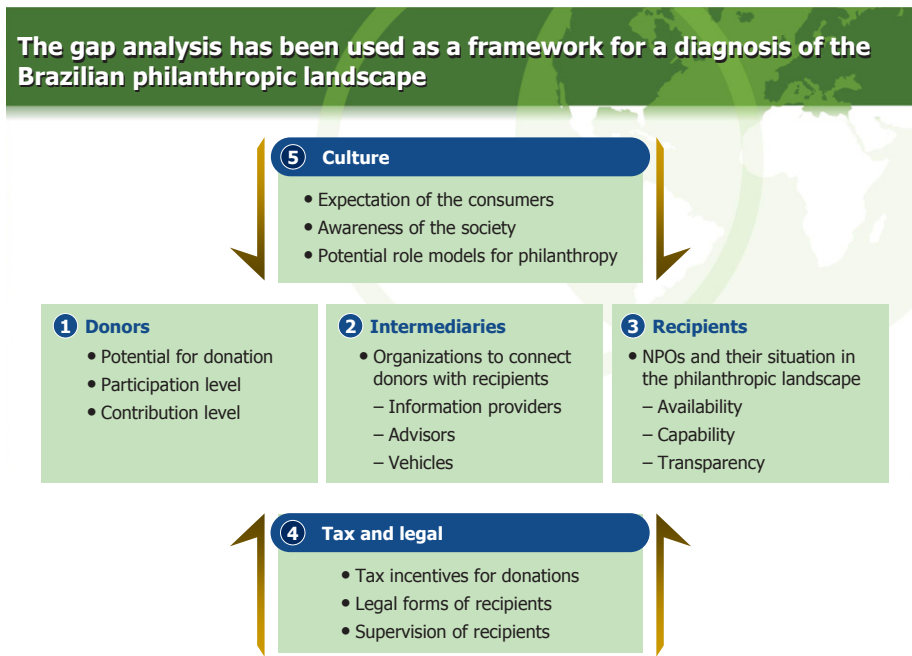
Firstly, we analyzed the Brazilian donor landscape, their giving potential, participation and their individual level of contribution.

Secondly, we surveyed the intermediaries. Intermediaries provide a critical role by linking donors to recipients, providing information, advice and vehicles that allow donors and recipients to meet in a productive, trustworthy and efficient manner.

Thirdly, our attention was drawn to the recipient organizations – the ones that in fact do the social investment work. Among other factors, we looked into their numbers, capabilities and level of transparency.

Finally, the level of activity of donors, intermediaries and recipients is very much influenced by two other aspects: the tax and legal system and the culture of a country in terms of social investment.

**Exhibit 2 – Philanthropy System**



Source: Team analysis

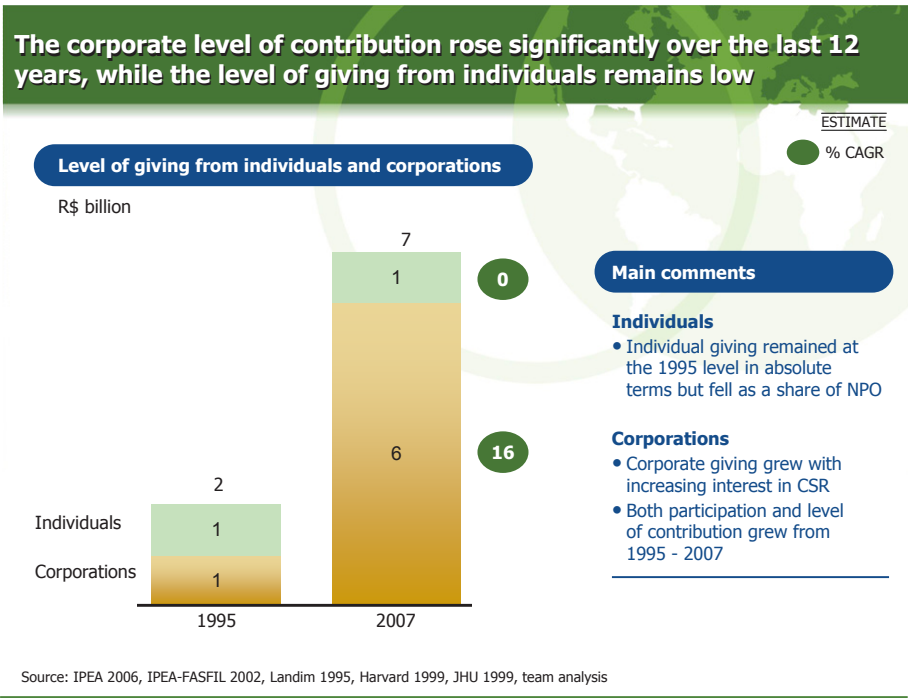
**DIAGNOSTIC**

**1. Donors**

News from the donor front is twofold. On one side, considering the best available information, giving levels seem to be stabilized over the past years, remaining at 0.3% of the GDP.

The good news is that companies have jumped in and the number of companies declaring involvement in social sector has increased significantly. As corporate social responsibility has grown increasingly important over the past decade, donations have gone up accordingly. Based on our best estimates, corporate donations (which in Brazil typically include donations made by wealthy individuals through their foundations) have grown by 16% per year, currently representing around 85% of all donations (Exhibit 3).

**Exhibit 3 – Evolution and share of giving by corporations and individuals**



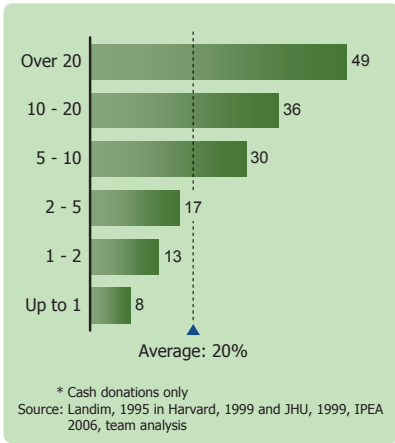
We looked into each one of these groups in more detail, starting with “mass-market” individuals (therefore excluding very wealthy families). Participation rates of individuals are below international benchmarks. Studies indicate that not many Brazilians donate. On average, only 20% of Brazilians engage in philanthropic activity (Exhibit 4). As expected, participation levels tend to significantly drop as household income levels decrease.

**Exhibit 4 – Percentage of households by income levels that donate**

On the side of the high and very high income individuals, the distinction between individual and corporate donors is even more difficult, since

**Individual participation\* per family income (in multiple of minimum wages)**

Percentage of households, 1998



large Brazilian companies are often family-owned. This usually means that individuals use their own corporate channels for social contributions and related activities, stimulated by a more attractive legal framework for donations by companies. From this viewpoint, about 80% of Brazilian billionaires are active philanthropists. However, their donation level is low when compared with similar billionaires in other countries. In Brazil, the top 5-10 philanthropist donate around 0.5% of their wealth per year to their foundations while in the US, the average for the top 5 is around 3%.

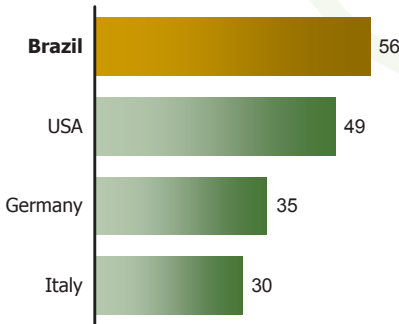
The corporate arena presents a more optimistic view, with a fast growing level of social investment. The underlying factor for a more positive corporate scenario is the population's increasing awareness of the need to improve the Brazilian social situation. This is shown by consumers increasingly demanding and remunerating good corporate citizenship (Exhibit 5)

**Exhibit 5 – Consumer perception on CSR**

**Apparently consumers in Brazil are more inclined to reward companies that perform social investment than consumers in Europe and the US**

**Corporate Social Responsibility (CSR) considered by consumer in rating a company as good or bad**

Percentage of total respondents



**Main comments**

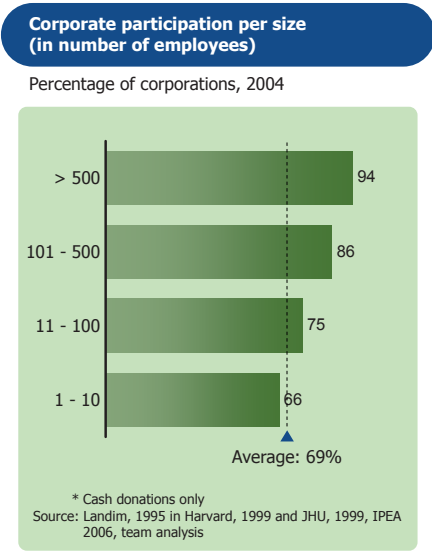
- Consumer perception on CSR is evolving
  - In 2004, 44% believed that a company must be beyond compliance to fulfill its function; in 2000 it was 35%
- 43% of consumers inspire other people to buy products from socially responsible companies
- 72% of consumers have some interest in knowing how companies engage in social activities

Source: Akatu "How and why Brazilians practice the conscious consumption" 2007; Millennium Poll, 2000; Akatu and Ethos "Consumer perception", 2004; Ethos "Consumer perception", 2000 ; Exame-Ipsos "The net profit stigma", 2005



Large companies, e.g. with more than 500 employees, have taken the lead. Only very few companies do not participate in social investment activities. (Exhibit 6)

### Exhibit 6 – Corporate participation in social investment by company size



Even though the level of declared participation is high, the level of donations is still low, and most importantly, the level of coordination is very limited. Large donors (Ultra-high net worth individuals – UHNWI) have limited real joint projects, and coordinated efforts and best practices exchanges are scarce. As put by one UHNWI: “Everyone is doing their own little projects”. This limited cooperation restrains the effectiveness of donation and

does not allow for large-scale projects. As we analyze the intermediary and the recipient landscape, the reasons and consequences of those isolated efforts become clearer.

## 2. Intermediaries

The intermediaries’ primary function is to connect donors and recipients. They play a highly valuable role by ensuring that high giving levels are reached. They not only provide donors with information and help evaluate the recipient organization, but also certify, give advice, and even help with donation transactions in a timely manner. They help donors to focus on what they are targeting at, thus allowing for more effective donations. For recipient organizations, intermediaries are equally important – they foster promotion, help to raise skills and even provide funding. In other words, intermediaries control the flood gates of the system. (Exhibit 7)

## Exhibit 7 – Types of Intermediaries and examples

Intermediary platform – services offered and examples			
Services offered	Objectives	Global examples	Brazilian examples
Promotion	<ul style="list-style-type: none"> <li>Promote social engagement by providing best-practice guidelines</li> <li>Offer tools and knowledge of social responsibility</li> </ul>	 	 
Information	<ul style="list-style-type: none"> <li>Provide information on NPOs to potential donors/volunteers</li> <li>Comprehensive register of NPOs</li> </ul>		 
Evaluation	<ul style="list-style-type: none"> <li>Recognize and reward NPOs with good performance</li> <li>Organization rating by watchdogs, or as accreditation of minimum standards</li> </ul>	 	
Counseling	<ul style="list-style-type: none"> <li>Advise donors on private social investment</li> <li>Help define giving strategy, targets, and impact measurement</li> <li>Advise NPOs on best practices and skills</li> </ul>	 	
Transaction & Funding channels	<ul style="list-style-type: none"> <li>Offer easy-to-use transaction vehicles for donors</li> <li>Facilitate donations that could be focused on specific geographies, themes, projects, etc..</li> </ul>	  	

Source: Team analysis

The intermediate sector in Brazil has evolved significantly in the past decade, with several innovative and well-recognized organizations now fully established. The intermediaries have played a major role in pushing the sector forward and placing the Brazilian landscape where it is today.

However, there are still relevant opportunities to further develop the sector and, specially, improve its reach and effectiveness. Today, the intermediaries' constraints are limiting donors to give more. The basic reason is that intermediaries are too small, too few and limited in scope. As an example, they have between 3 to around 42 employees only.

As a consequence, their practicability and level of use is rather low. Nowadays, few donors (both HNWI and the mass market) use the services of intermediaries to better reach worthy recipients. Also, even though there are good intermediaries on Promotion and Advice to donors, there are still significant gaps on functions such as funding (e.g. donor-advisory funds) or NPO evaluation (Exhibit 8).

This situation forces donors to do most of the work by themselves – they have to identify partners, evaluate them, channel funds, etc.. Since each donor is in charge of the whole process, a great deal of energy is lost in the system.

The good news is that there are numerous interesting and innovative intermediaries already operating in Brazil. And, the level of innovation and creativity of concepts and ideas sets a new international standard. For example, Ethos is known as a benchmarking in promoting philanthropy; Bovespa Social is another very creative funding system. Several others have appeared in Brazil and we see these concepts as a great source of opportunity, to the extent that they can be scaled-up to be replicated more broadly.

**Exhibit 8 – Current situation and aspiration level for intermediaries**

Intermediary platform – gap analysis for Brazil		
Services offered	Situation in Brazil	Aspirations for Brazil
Promotion	<ul style="list-style-type: none"> <li>• Good promotion through best-practice guidelines and use of tools on social responsibility</li> <li>• Not yet thoroughly penetrated among HNWI</li> </ul>	<ul style="list-style-type: none"> <li>• Social engagement with best-practice guidelines</li> <li>• Use of tools and knowledge on social responsibility</li> </ul>
Information	<ul style="list-style-type: none"> <li>• Information lacking comprehension</li> <li>• Lack of full register of all NPOs with detailed intelligence</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive information and register of NPOs to potential donors/volunteers</li> </ul>
Evaluation	<ul style="list-style-type: none"> <li>• Limited sophistication of evaluation</li> <li>• Small number of covered NPOs</li> <li>• Rare financial information</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable evaluation and rating systems in place for NPOs. Offered by rating organizations, by watchdogs, or as accreditation of minimum standards</li> </ul>
Counseling	<ul style="list-style-type: none"> <li>• Advice only to members and thus very limited in scope</li> <li>• Quality of services high, yet scale can be increased</li> <li>• No intermediaries to provide consulting services to NPOs</li> </ul>	<ul style="list-style-type: none"> <li>• Large share of donors advised on private social investment and helped define giving strategy, targets, and impact measurement</li> <li>• Leading banks/asset managers offering philanthropy services</li> </ul>
Transaction & Funding channels	<ul style="list-style-type: none"> <li>• Innovative ideas for transaction vehicles</li> <li>• However, very small in scope and reach</li> <li>• No donor-advised funds</li> <li>• Only existing funds are governmental (eg. FUMCAD)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment vehicles better known than at present, available for all donation sizes, and with broad reach</li> <li>• Offer predefined funds to specific causes with advisory services and broader reach (donor-advised funds)</li> </ul>

Source: Team analysis

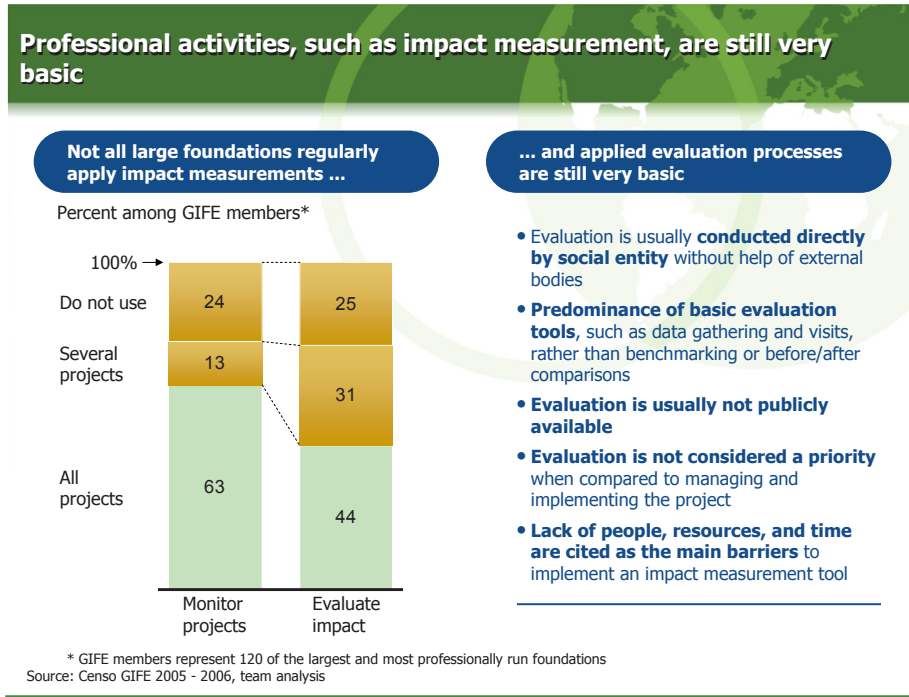
**3. Recipients**

Brazil boasts a vibrant and fascinating landscape of recipient organizations, or NPOs (Non-Profit Organization). They can be virtually found in every corner of the country and devote themselves to a myriad number of causes. Official sources inform that there are over 276.000 NPOs formally constituted. Among those, there are organizations focused on all causes (from education to civil rights and environment, among others) and with very different levels of effectiveness. As in every large population, there are a few best-in-class recipients and there are several with low effectiveness.

The major issue is that most are too small to be effective. A staggering 77% of all NPOs do not have any paid employees. Volunteer work prevails. Only 2% of NPOs have more than 50 employees.

In addition, most NPOs do not have adequate management skills. There is a general lack of professionalism from planning to control. Emphasis is on the “well- intentioned action”. To give an example, even on a very well structured foundation, only 44% of their NPOs evaluate the actual impact of their activities. (Exhibit 9)

**Exhibit 9 – Monitoring and evaluation of projects by NPOs**



The very low level of evaluation and monitoring, even in the largest and most professional foundations (e.g., more than half of the NPOs members of the GIFE network do not monitor impact in any project), exemplifies this lack of professionalism.

Such situation is driven by the lack of managerial qualifications at all levels of the organizations. Lack of management talent also means that most NPOs do not have resources to have scalable or replicable working models. Moreover, the lack of private sector “business language” abilities makes it difficult for them to articulate their needs to investment-oriented donors and obtain funds.

Large donors, especially corporations, have answered to this dual challenge of limited capability of NGP/NPO and poor intermediary platform by completely verticalizing. They perform all functions: they come up with the resources (donate), assume the intermediate role, and execute the social work themselves. As a system, this is not a too effective way to maximize impact.

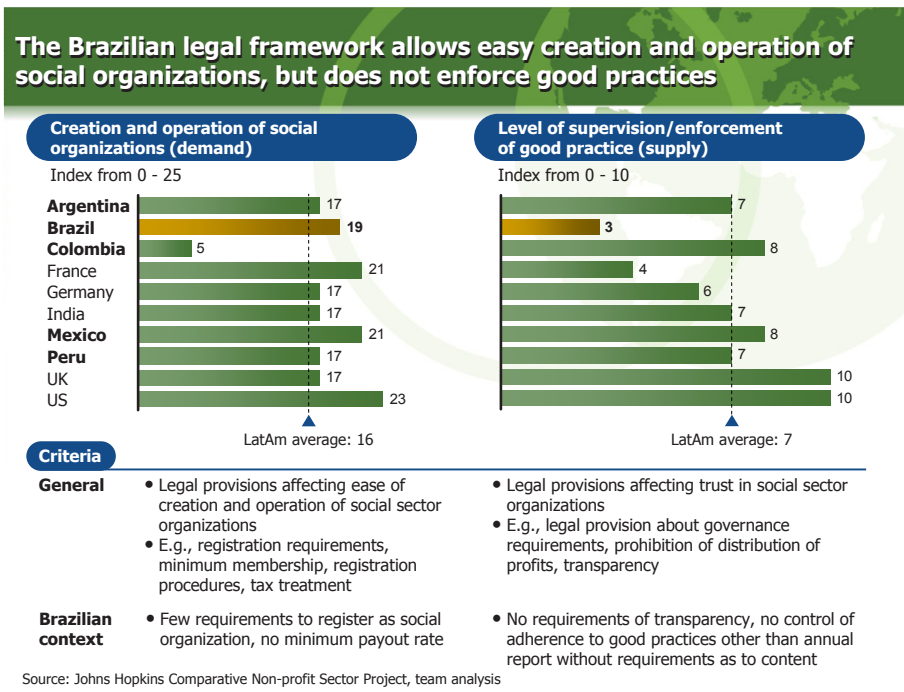
As said by another UHNWI (with relevant experience in other countries): “Here it is very hard to find a good, well-rounded project; we have to do everything ourselves”.

#### 4. Tax and legal frameworks

The tax and legal system does not seem to be such a hindrance towards reaching higher levels of giving as usually thought. Actually, it is quite developed. It makes it relatively easy to create new organizations, and offers significant opportunities for donation. These opportunities, however, appear to be extremely underused. Indeed, the Brazilian tax and legal system is among the most complex and intricate in the world, incredibly enough, it does offer some quite attractive features to donors.

The Brazilian legal framework allows for easy formation and operation of social organizations. Creating and operating a social organization in Brazil is as easy as in other countries. However, the legal framework does not enforce good practices. Supervision, evaluation, and monitoring are not enforced for NPOs, resulting in limited publicly-accessible information. (Exhibit 10)

#### Exhibit 10 – International comparison of legal frameworks



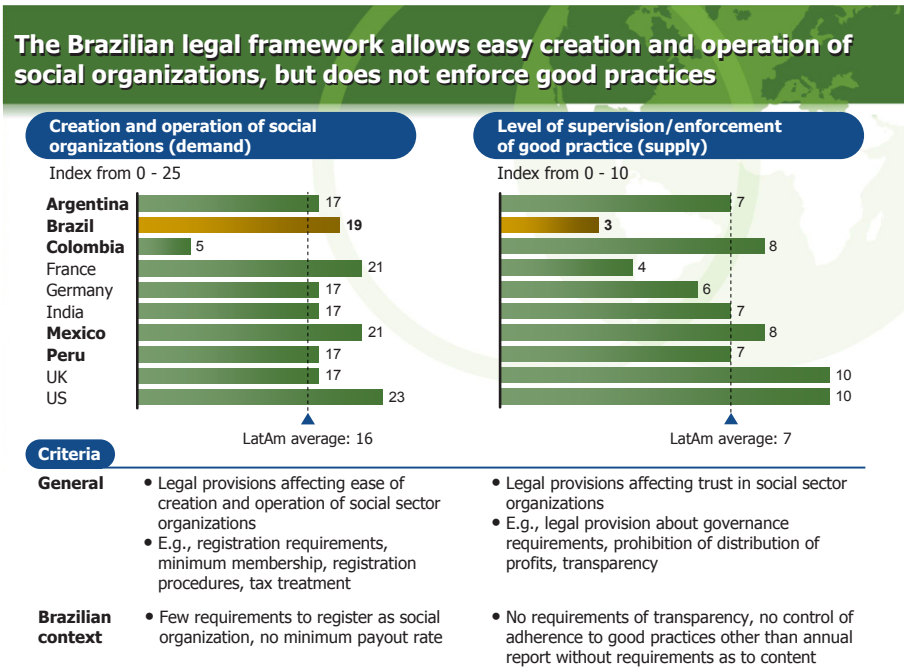
At the same time, the Brazilian tax system allows for certain governmental accreditations to provide tax exemptions. Current numbers indicate, however, that only very few organizations reach a level of accreditation that allows tax immunity (social organizations).

The tax system in Brazil, on the other hand, is outrageously complex and only a small part of the current donations can be accounted for by using tax incentives. The landscape of tax incentives differs highly between corporate and individual opportunities.

For corporate donors, two different types of tax incentives exist: (i) tax credits for donations to specific causes, including the child & youth fund, culture and sports; and (ii) tax deductions for government-accredited recipient organizations. The cause-specific incentives in particular are very generous compared to other countries.

However, the use of tax incentives by companies is still very low. Only around 15% of large companies have declared to use it, and 75% of current deductible donations refer to cultural efforts (and maybe not related to the most prominent social needs). If we consider the full potential of existing tax benefits, there is a significant space to grow, estimated at circa 500% (Exhibit 11).

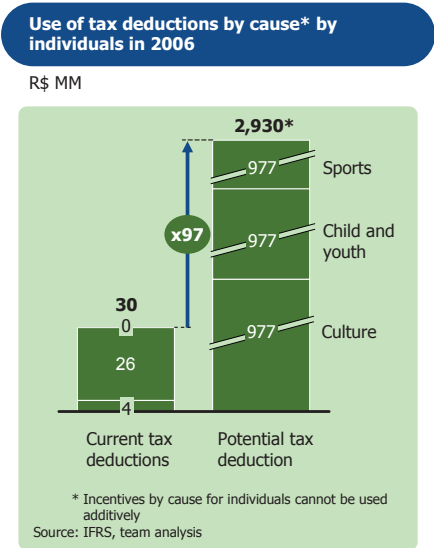
**Exhibit 11 – Corporate use of tax deductions**



Source: Johns Hopkins Comparative Non-profit Sector Project, team analysis

For individuals, only cause-related tax incentives apply (e.g. FUMCAD - Municipal fund for the Rights of Child and Youth), yet they are attractive. Individuals can redirect an amount of 6% of the income tax payable to any pre-selected organization. Nowadays, this opportunity is mostly unexploited. Estimates indicate that only 1% of its full potential is being used. In other words, if every Brazilian tax payer used their 6% deduction limit, an extra R\$ 3 billion/year fund could be directed to social causes

**Exhibit 12 – Use of individual tax incentives**



This low use of tax benefits has a few causes. First, it requires individuals to make the donation out of their own pocket upfront. On the annual income tax return, individuals are entitled to a reduction of the value owed to the tax authorities. This requires individuals to finance the donation for several months, which is difficult for low-income families and individuals.

Second, the level of awareness of the Brazilian tax regulations is very low. In the past years, some media efforts

were conducted to better divulgate this instrument, but the overall donation process is still complex to most people.

Third, there is no transparency on how the money is applied and what impact it has generated (a major capability gap from NPOs). Donors end-up without knowing the impact of their donation. And finally, very understandably, many taxpayers do not like the idea of being subject to detailed tax audit, which could be triggered by a donation made to an institution.

**5. Culture**

In general, social giving is perceived favourably within the Brazilian society. Also, consumers in Brazil are inclined to reward companies with a high standard of socially responsible behaviour.

At the same time, there are huge cultural barriers to the increase of social investment in Brazil. First, there is not much debate on the effectiveness and impact of social investment. Philanthropy is still seen as “charity”, with

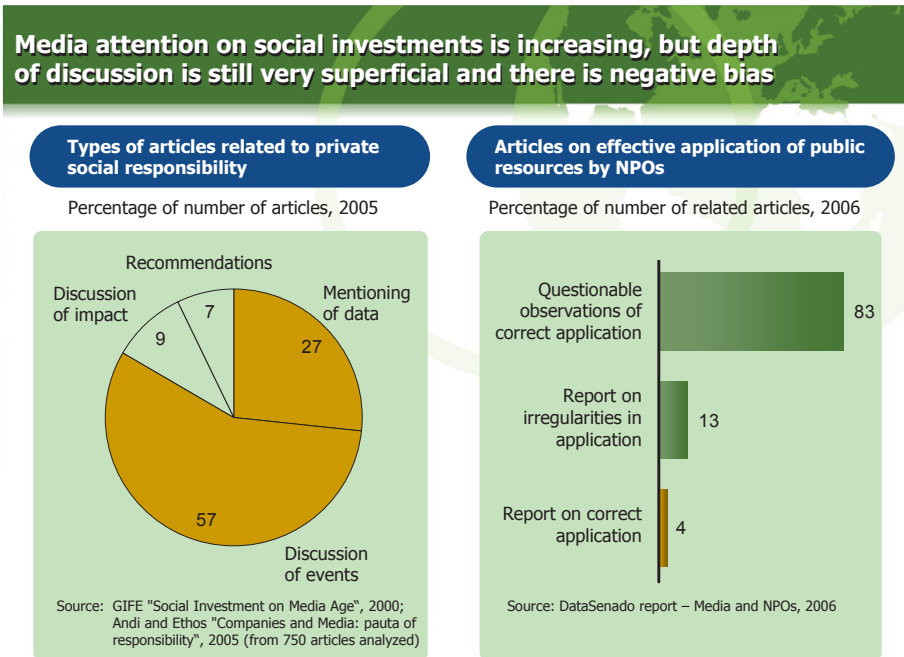
all its negative connotations. Philanthropy is still mostly seen as “goodwill” rather than “impact”.

Second, there are no public role models incentivizing it (as in the US). Several reasons exist for this phenomenon, including for instance security concerns, but the fact is that large philanthropists do not make their contributions public. This is fundamentally different from the US, where, for example, Forbes publishes a philanthropy ranking.

Third, it is understood that the government and some religious institutions are the parties in charge of providing support rather than individual members of society. In many cases, the government acts through NPOs, sometimes donating large sums of money. To no surprise, these funds are not always properly applied, and, consequently, attract the media interests with a negative bias.

And finally, in general, media coverage is very superficial, focusing on “events” rather than on real impact of social initiatives. In addition, it shows a bias through rather negative coverage of the way NPOs apply (mainly governmental) funds. Almost all (96%) articles refer to NPO activities negatively: they question the correct application of donations and usually report on irregularities (Exhibit 13). This creates a highly sceptical and negative image of NPOs in general.

### Exhibit 13 – Media coverage of NPO activity





## STRATEGIC THEMES FOR PROMOTING PHILANTHROPY IN BRAZIL

We believe that a great deal could be done to significantly increase the level of giving by Brazilians. In this sense, we have developed five strategic themes that could potentially be pursued by the sector stakeholders. These are typically not isolated actions, but changes that would need the involvement of several stakeholders in the sector: business people, NPOs, experts, media. We believe a more structured and comprehensive debate, followed by joint actions along those strategic themes would be extremely helpful to Brazil

The first two themes address specific donor segments – UHNWI/companies and mass market –, which have very different needs. Two additional ones suggest investments in the sector infrastructure, aiming to develop intermediaries and increase capability of NPOs. The final one touches on a necessary culture shift, a fundamental stone for strong growth in the future (Exhibit 14).

Exhibit 14 – Five Strategic Themes to improve Effective Philanthropy in Brazil

Emerging macro Strategic Themes to strengthen social investments		
	Target segment	Description
 <b>Donor coordination</b>	HNWI, companies	<ul style="list-style-type: none"> <li>• Connect corporate and HNWI donors by creating a linked network that allows for coordinated actions on specific topics</li> </ul>
 <b>Mass market donation movement</b>	Mass market donors	<ul style="list-style-type: none"> <li>• Create awareness about opportunities for effective social investment</li> <li>• Advertise tax incentives and facilitate transparent efficient vehicles for mass market to donate</li> </ul>
 <b>Intermediary platform</b>	All (infrastructure)	<ul style="list-style-type: none"> <li>• Offer a platform with objective information on NGOs</li> <li>• Strengthen civil society voice by measuring public services efficiency</li> </ul>
 <b>NGO capability building and hand-on coaching</b>	Recipients	<ul style="list-style-type: none"> <li>• Allow NGOs to increase both managerial skills and organizational scale by providing coaching and capability development</li> </ul>
 <b>Awareness and cultural shift</b>	All	<ul style="list-style-type: none"> <li>• Cross segment actions to educate people and generate mindset shift towards philanthropy – for both HNWI and mass market</li> </ul>

All five themes are interrelated and reinforce each other. For example, to significantly improve the mass market donation, it will be necessary to better develop the sector infrastructure and foster a positive culture shift.

### **1. Increase real collaboration of HNWI's and company donors, focusing on effective social investment**

One of the major sources for donations in developed countries is the segment of ultra-high-net-worth individuals, or, in other words, billionaires. Most billionaires in Brazil are active philanthropists; however their level of contribution remains below the benchmark of donations of 1% of total wealth per year. If the contribution level of 1% could be reached, it would be around R\$ 5 billion per year.

We propose to specifically address this target group, together with their companies. There are several ways to approach this group such as donor forums and collaborative platforms. International experience shows that a donor forum may have very positive impact. In such a forum very wealthy individuals meet, discuss their respective social investments, and how they could maximize impact. This typically increases the level of giving – and, more importantly – sets the focus on effective social investments.

Moreover, a forum potentially fosters collaboration and partnership between donors and also between donors and recipients (and thus the private and social sector). Best practices in this area indicate that joint projects could be pursued (e.g. an enriched version of Todos pela Educação could be developed, with common methodologies, process, funding, etc.). A donor forum is one of the most comprehensive strategies, being able to address several issues and promote both monetary donations and effectiveness of social investments.

### **2. Create mechanisms to increase awareness and participation, including use of unexplored existing tax benefits, of middle and upper class workers**

The second strategy aims to address the mass market. The vast population group represents a very high potential for impact in the social sector. For instance, if all households were to contribute 1% of disposable income, more than R\$ 10 billion would accumulate. Or, considering only the existing

tax benefits, if all tax payers (around 5 million people) were to use tax incentives, another R\$ 3 billion per year would be generated, without any additional costs for the individual donors.

The mass market should be addressed through a group of integrated initiatives, such as improvements in donation vehicles, media campaigns, and the build-up of role models. The basic idea is to facilitate the donation process. This includes how individuals can identify NPO or projects they consider meaningful, easy-to-use donation vehicles, constant information flow on the impact that their money is achieving, and so on.

One concrete initiative that can be pursued is to significantly enrich the Child and Youth Funds overall donation process. As previously mentioned, there is already a solid legal base for growth; however it is necessary to create conditions to make the process as easy and efficient as possible. One alternative could be to foster or create an organization to promote this initiative. This group would be responsible for: (i) showing potential of individual donations and increasing awareness; (ii) bringing transparency to donors (info on NPOs pre and post donation); and (iii) offering easy-to use donation vehicles (for example, in partnership with technology partners).

### **3. Strengthen intermediary platform**

As in the last initiative example shown, strengthening the intermediate platform (in that case by bringing transparency on pre and post donation through Child and Youth Fund) is crucial for the sector.

As discussed, a strong intermediary sector is of major importance. Especially in Brazil, where disproportionate distribution of wealth has led to a wide (psychological and physical) gap between potential donors and areas of social needs, differences should be overcome. And there is fertile soil, as there are a good number of highly innovative ideas for intermediary services already present.

The basic objective would be to scale up and strengthen some existing concepts, to help to unlock the gates that separate donors from recipients. Some intermediaries should be merged, some be selected as preferred investment receivers. Overall capabilities and professionalism should be strengthened, and they should be developed to be able to provide service to a much broader audience.

We believe that investments in a well thought out intermediary could help unlock donations by others that could reach a multiple of the original investment.

#### **4. Develop a robust, large-reach capability-building program for recipients (NPOs)**

NPOs need to professionalize, they need to develop their capabilities. This can be achieved through offering hands-on coaching and training. Management skills and organizational knowledge are strongly required in this area to increase the capacity and capabilities of NPOs.

This could be achieved through creating special training courses to be delivered by universities or schools. Rewards for the best managed NPOs would also help, as well as offers of coaching by corporations. This could also be linked to an intermediate's evaluation with the aid of certified NPOs duly qualified for the required training. There are some very good examples of capability building programs for small enterprises (e.g. Sebrae) as well as several benchmarks from other countries.

The best ideas on how to achieve impact should be determined and rolled-out ambitiously. Similarly to the intermediate theme, this would require investments from donors willing to help the overall sector instead of applying their money on their specific projects.

#### **5. Foster awareness of potential and positive cultural shift towards effective philanthropy in the Brazilian civil society**

As discussed in this document, there are several relevant cultural barriers to the increase of effective social investment in Brazil. Changing culture is always complex and takes long. Clearly, there is no “killer” initiative that could shift the Brazilian people towards more donations. However, this dimension is so crucial, and a pre-requisite to strong growth in the future, that it has to be considered by the country opinion makers, such as top executives, UHNWI, media, etc.

The first objective of such a strategy would be to increase the awareness of the importance of social investment and how relevant it can be for creating a better and fairer society. Creating visible role models is one way to achieve this goal. We believe that Brazil and its social investment would

gain a large boost having visible role models, following the Rockfellers, Carnegies and Gates in the United States.

The second goal would be to promote the understanding that effective social investment is different from “charity”. It is important to make this distinction to eliminate old prejudices and create a new, richer public debate. The third component of a strategy to address the mass market must be to address the current poor perception of NPOs in Brazil. Lack of confidence in the work by NPOs creates a high barrier to donations.

Also, there is no consensus in society where the most pressing social needs are. There is no systematic analysis available that points to where investments are mostly needed. As a result (and also as a consequence of a non-coordinated effort from major donors), capital is not necessarily flowing to where it is mostly needed. As an example, we see that 75% of corporate tax deductible donations are made in culture issues. It will be important to discuss the national needs on a broader basis. Very specific strategies and measurable goals should be determined, so as to define what effective philanthropy needs to achieve. The Copenhagen Consensus and the Millenium Goals are good examples of what could be achieved.

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## **CONCLUSION**

Those five suggested strategies seek to increase the current donation level from Brazilian levels to the average giving level of Latin America or even to the global average. We believe that a combination and interacting implementation of the described strategies will have enough impact to reach these goals.

The goal is achievable, and would help build a much better society for all. The power and responsibility to make this work lies in all of us.

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