

Brazil:

Two Countries Becoming One

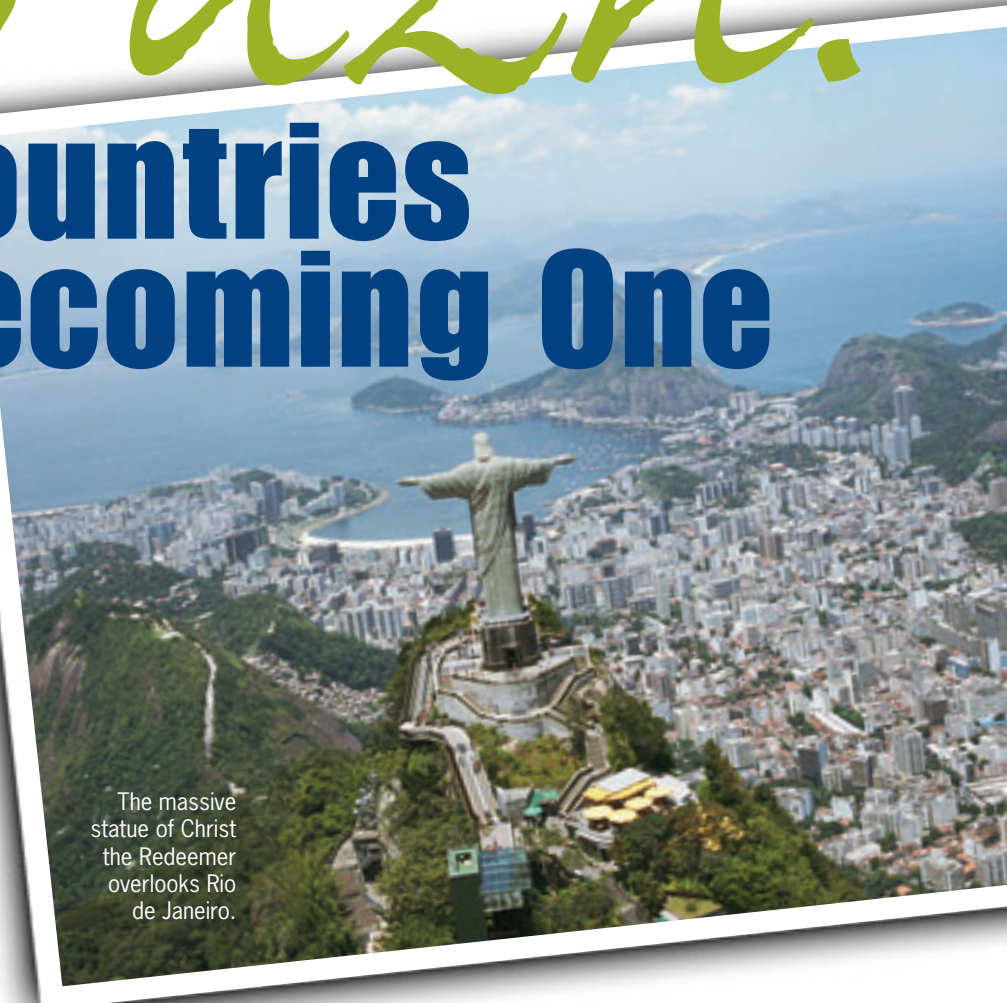
By Michael J. Rosen, CFRE

On Feb. 3–5, 2005, the first Hemispheric Conference on Philanthropy was held in Mexico City to not only recognize the unique needs of fundraisers throughout Latin America, but also better appreciate the increasingly significant role of philanthropy throughout that region. A look at the spirit of giving and growing social responsibility in Brazil illustrates many of the unique aspects of the philanthropic environment in Latin America.

Brazil is the fifth largest country in the world—slightly smaller than the United States—with a landmass covering more than half of South America. It is a country known for its extraordinary beaches, Carnival festivities in Rio de Janeiro and the mighty Amazon River along with the rainforest it supports. Despite its many wonderful attributes, however, Brazil is not the perfect paradise.

Two Countries in One

In his article “The New Economic and Social Model—A Third Stage of Economic and Social Development in Brazil in the Millennium: One Brazil, Shared Humanity, Wealth Creation and Social



The massive statue of Christ the Redeemer overlooks Rio de Janeiro.

Justice” (*Journal of American Academy of Business*, Cambridge, March 1, 2004), author Richard Trotter observes, “Perhaps nowhere in the world is income distribution more unevenly distributed than in Brazil. Third-world living standards and life quality are literally within yards of luxury and modernization the equal of any place in the world.” In short, present-day Brazil is really two countries. Trotter described Brazil as “a relevantly affluent country with a modern industrial base and the

availability of consumer goods of all kinds for those who can afford them. Unfortunately, there is the Brazil of ‘favelas,’ which is a third-world country with deplorable living conditions.”

In 2002, Luiz Inacio Lula da Silva was elected president of Brazil, and as Trotter explained, he has pledged to make Brazil one country. In his inaugural address on Jan. 1, 2003, President Lula spoke of such pressing issues as income distribution, employment, education, racial equality, urbaniza-

tion, tax reform and social security reform: “In the face of the exhaustion of [an economic] model that, rather than generating growth has produced stagnation, unemployment and hunger; in the face of the failure of a culture of individualism, selfishness, indifference to one’s neighbor and family and of community disintegration; in the face of threats to national sovereignty, the overwhelming precariousness of public safety, disrespect for the elderly and disillusionment of youth; in the face of the country’s economic and moral stalemate, Brazilian society has opted for change and has itself taken steps to promote such change.”

The impetus and support for this change have come from growing social responsibility on the part of both Brazil’s individual citizens and its corporations.

Citizen Participation and Social Responsibility

Philanthropy actually has long been part of Brazilian culture with its roots in the Catholic Church. “To act charitably toward the poor and needy was

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—Elisa Rodrigues Alves Larroude

always a good Catholic’s obligation (although not always followed with proper diligence). However, it is important to realize that charity was basically a religious obligation, rather than a civic one,” writes Roberto Paulo Cezar de Andrade, chairman and CEO of Brascan Brazil, in the article “Philanthropy in Brazil: Changing Notions,

Changing Times” (see sidebar).

Perhaps the greatest change in Brazilian society in recent years has been cultural. Since the return of democracy in 1985, citizens have had greater opportunities to participate in civic life as the government loosened its grip and the expectations of government evolved. The result has been dramatic growth in the number of non-profit organizations and nonreligious charitable giving. This realignment of civic responsibility has resulted in improved lives for Brazilians and a stable democratic government.

Significant improvement in the country’s social indicators is evident. From 1991 to 2000, adult illiteracy declined from 19.7 percent to 12.8 percent. Population growth slowed from an average of 2.5 percent a year from 1950 to 1980, to 1.64 percent a year in the 1990s. Household income also grew by 42 percent in the decade. The GINI Index, which measures economic inequality, fell from 0.637 to 0.609, which, although still high, represents improvement.

Individuals have developed greater social consciousness. “Private philanthropy, in the North American sense, has continued to grow, with rich individuals donating scholarships and endowing new foundations and institutes in the areas of education, health and culture,” de Andrade writes. “However, the most innovative activities toward facing the challenges of participating citizenship are being taken by two extremes: the business corporations and the small communities of citizens congregating around a common interest.”

In “The New Face of Brazilian Philanthropy” (*Alliance Extra*, September 2003), Marcos Kisil, president of the Institute for the Development of Social Investment (IDIS) in São Paulo, Brazil, writes that an estimated 750,000 civil society organizations (CSOs) exist in Brazil; 250,000 of those have reached some level of legal formality, and 50,000 are active participants in the social and political life of Brazilian society.

Brazil at a Glance

COUNTRY NAME: Federative Republic of Brazil

CAPITAL: Brasilia

LANGUAGES: Portuguese (official), Spanish, English and French

ADMINISTRATIVE DIVISIONS: 26 states and one federal district

TOTAL AREA: 8,511,965 sq. km. (Brazil shares common boundaries with every country in South America except Chile and Ecuador)

LAND USE: arable land (6.96 percent), permanent crops (0.9 percent), other (92.15 percent)

POPULATION: 184,101,109 (2004 est.)

PEOPLE LIVING WITH HIV/AIDS: 660,000 (2003 est.)

RELIGIONS: Roman Catholic (80 percent)

INFLATION RATE (CONSUMER PRICES): 14.7 percent (2004 est.)

TELEPHONES (MAIN LINES IN USE): 38.81 million (2002)

CELL PHONES: 46.37 million (2003)

INTERNET USERS: 14.3 million (2002)

THE AMAZON RAINFOREST: Covering more than 1.2 billion acres in Brazil, Colombia, Peru, Venezuela, Ecuador, Bolivia, Guyana, French Guiana and Suriname, it has been described as the “lungs of our planet” because it continuously recycles carbon dioxide into oxygen. It is estimated that more than 20 percent of the world’s oxygen is produced in this area, and one-fifth of the world’s fresh water is in the Amazon Basin.

In fact, looking at nonreligious philanthropy, Brazilians contribute 0.17 percent of Gross Domestic Product (GDP). This compares with 1.0 percent in the United States, 0.39 percent in Argentina and 0.05 percent in Mexico, according to 1995 data from The Johns Hopkins Comparative Nonprofit Sector Project. Brazilians give a greater percentage of GDP to nonreligious causes than do the Japanese or Germans. Brazilians anticipate that these numbers will increase over time as new organizations take root and as a new generation of professional fundraisers develops its skills.

“Social needs in Brazil are indeed being more effectively met as a result of civil society’s activity, especially through its partnerships with the public and private sectors. It is true that private dollars are filling voids left by declining public government and international funding, but businesses are not only steadily increasing the amount of their investments but are becoming more actively engaged in the projects they fund, combining their management experience and knowledge with the nonprofit sector’s social expertise. Likewise, when civil society joins forces with government agencies, they can both deliver more efficient services than either would be able to do alone,” says Elisa Rodrigues Alves Larroudé, vice president of Associação Brasileira de Captadores de Recursos (ABCR, the Brazilian Fundraisers’ Association).

Corporate Philanthropy

The corporate sector has taken a major leadership role in Brazilian philanthropy. In the last three years, corporate giving has grown at an unprecedented pace, according to Christine Clauser, director of development at the Dreams Can Be Foundation, a U.S. nonprofit based in Johnstown, Pa., and Brazilian NGO dedicated to aiding street children and impoverished youth in Brazil.

One reason for the growth of corporate philanthropy is that Brazilian

Resources

In March 2004, a delegation of North American professional fundraisers traveled to Brazil under the auspices of People to People International (www.ptpi.org). The group toured the country and participated in bilateral exchanges with their professional counterparts. For more information about the program, contact Cathy S. Hampton, director of institutional development, Jones College Prep at champ91672@aol.com. A delegate on the trip, she was very helpful with the preparation of this article.

- Christine Clauser, director of development at the Dreams Can Be Foundation, was very helpful to the visiting delegates and has offered to be a resource for those interested in learning more about the nonprofit sector in Brazil. Email her at christine@dreamscanbe.org.
- Elisa Rodrigues Alves Larroudé, vice president of ABCR, Associação Brasileira de Captadores de Recursos (Brazilian Fundraisers' Association), www.abcr.com.br was also very helpful with this article and can be reached by email at elarroude@terra.com.br.
- To learn more about GIFE, the Grupo de Institutos, Fundações e Empresas, visit www.gife.org.br.
- Ethos (www.ethos.org.br) is a membership organization that promotes corporate social responsibility.
- For a complete copy of "Philanthropy in Brazil: Changing Notions, Changing Times" by de Andrade, along with other articles about philanthropy in Latin America, visit www.fas.harvard.edu/~drclas/publications/revista/Volunteering/tcontent.html.
- To read "The New Face of Brazilian Philanthropy" by Marcos Kisil, visit www.allavida.org/alliance/axseptc03.html.

noncorporate foundations are undercapitalized, according to de Andrade: "Most lack endowments, as those melted away during Brazil's inflationary years. The lack of endowments and distrust of their durability has stimulated the growth of direct corporate involvement and citizen group activities, rather than substantial philanthropic investments."

Kisil notes in his article that the Institute for the Development of Social Investment (IDIS), created in 1999, was the "first nonprofit-supporting organization whose purpose was to develop knowledge and expertise to address the needs of corporations, wealthy families, individuals and communities that decide to organize their giving to become social investors and social entrepreneurs."

Nevertheless, there are considerable

Brazilian Nonprofits Planning for Success

Many large nonprofits with greater resources gain knowledge from the for-profit sector and increase their chances of commercial success by hiring business professionals and consultants. A second option is to take part in business plan competitions (see *Advancing Philanthropy*, January/February 2005).

Such competitions are not limited to North America and Europe, however. In “Helping Nonprofits Do Business: Business Plan Competitions Are a Powerful Way to Help Nonprofits Turn Ideas into Sustainable Commercial Ventures” (*The McKinsey Quarterly*, web exclusive, December 2004), author Jason Rabbino, a consultant in McKinsey’s Washington, D.C., office, describes how nonprofits in Brazil are also taking advantage of business plan competitions.

“One of the few examples is the Social Entrepreneur Award (SEA). Launched in Brazil in 1999, the annual competition is already showing promising results: a 2003 survey indicated that more than

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40 percent of the participants in the Brazilian competition over the previous four years had implemented their plans, and that more than 60 percent of these new businesses were generating revenue.”

The article illustrates the achievements of some participants in the Brazilian SEA competition, including CIPÓ Produções (CIPÓ Productions), which won the SEA in 2001. The prize, 30,000 reais (about US\$10,000) enabled founder Anna Penido to launch CIPÓ Produções in Salvador, Bahia, a state in northeastern Brazil. “The organization offers impoverished young people an eight-month training course in media skills such as journalism, photography, video production and web design. Youngsters develop their analytical ability and team spirit as well as skills to help them find jobs. From 1999 to 2003, more than 7,000 people graduated from CIPÓ’s programs,” the article reports.

To read the complete article, visit www.mckinseyquarterly.com/links/15931.

challenges ahead, as de Andrade notes. One is the lack of private funds beyond corporate initiatives. Another is the need to enact proper legislation, “recognizing the role of nonprofit organizations and the fact that they can in fact use tax exemptions for the common benefit ... Such legislation has to be able to avoid fraud without being paranoid about it and thereby frustrat-

ing initiative. The best guarantee of proper action should be established by ethical standards set and supervised by the third sector itself.”

Greater Accountability

While the picture of philanthropy in Brazil has been generally positive, the country has not escaped scandal. “In years past, lack of accountability here

spawned rampant abuse of foundation funds. Scandals smothered public enthusiasm for philanthropy, and the word itself became so tainted that foundations still avoid it. Instead, they use phrases such as ‘social responsibility’ and ‘social investment,’” according to de Andrade. As a result, both the private and public sectors have taken action.

For example, GIFE, Grupo de Institutos, Fundações e Empresas (Group of Institutes, Foundations and Enterprises), is a membership organization similar to the U.S. Council on Foundations or the European Foundation Centre, but with corporations rather than foundations as members. It will not accept as members any organization that will not submit to independent auditing and has called for greater public accountability in the nonprofit sector.

Brazil’s National Congress also has tightened regulation of the nonprofit sector, including stiff penalties for philanthropic officials who misuse government funds.

Despite the occasional setbacks, however, Brazil’s nonprofit sector has experienced dramatic growth by any measure—the number of nonprofit organizations, number of people employed in the sector, the amount of money raised and the impact of the sector on society.

“Finally, citizens have become more aware of their own responsibility and power to influence their lives and that of their neighbors and communities,” de Andrade writes. That, after all, sums up the cornerstone of both democracy and philanthropy. ●

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