

# Institute for the Development of Social Investment (IDIS)



This case study includes a focus on the delivery of a program by a new organization in a region where community foundations and community philanthropy are emerging.

## I *The Whole Organization*

### Background

The Institute for the Development of Social Investment (IDIS in Portuguese) was established in 1999, “to promote and organize private social investment as an instrument to develop a fair and sustainable society” in Brazil.

### Mission and Objectives

The creation and mission of IDIS were based on recognition that managing intellectual assets is one of the most important tasks of both business and Third Sector organizations. Intellectual assets can easily be lost or under-exploited, resulting in loss of benefit to society. IDIS tracks *human capital*, *structural capital* and *knowledge capital*. For IDIS, a fourth type of capital also plays an important role: *customer capital*. This is the value of an organization’s relationship with the people with whom it does business. For IDIS these are the many grantmaking organizations—that is, individual, family, corporate and community—whose best practices provide lessons to be shared.

A significant portion of IDIS’ activities—approximately 40 percent—is dedicated to the developing and strengthening of community philanthropy in Brazil. This is achieved through IDIS’s DOAR program, whose main strategies include promoting the concept and practice of community philanthropy organizations; technical support for leadership development of promising individuals and organizations in selected communities; technical support for new and emerging community philanthropy organizations; and creating a forum where community philanthropy organizations can discuss common issues and goals. “Community philanthropy organizations” include community foundations.

### Financial Resources

IDIS was created with a grant from the U.S.-based W.K. Kellogg Foundation for institution building (a total of US\$890,000 for four years). The basic strategy was to progressively reduce the funding from this source to 75 percent of the first annual contribution in the second year, to 50 percent in the third year, and to 25 percent in the final year.

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In the meantime, other sources of income have been identified and contribute to the overall income of IDIS. In 2000, the first year of full operation, IDIS had an income of US\$600,000. Projected income for 2001 is US\$800,000. The main source of income (approximately 55 percent) is gained through providing technical assistance to new family and corporate foundations. Knowledge dissemination through courses or workshops is responsible for 10 percent, and grants account for the remaining 35 percent. With respect to expenditures, 85 percent is spent on personnel and consultants, while 15 percent is spent on general expenditures such as rental, telephone, insurance, and so on.

### **Staffing**

IDIS staff includes a President, a Vice President, a Secretary, an Administrative Manager, three Project Managers, two Program Coordinators, three trainees and three interns. There are also two volunteers working on specific tasks and several consultants who assist different projects. Professionals employed cover a variety of disciplines, including medicine, social science, political science, communications, architecture, business administration, and economics.

### **Governance**

IDIS is not a membership organization. It is a private, nonprofit organization governed by a Board of Directors (eight members), the President and CEO. The eight members of the Board include: a leading businessman in a construction company; an NGO leader and banker; a business leader and philanthropist; a psychologist, philanthropist, and president of a foundation; a professor of medicine and active NGO leader; a lawyer specializing in human rights; a social scientist with UNESCO; a university dean and professor of business administration.

The main responsibilities of the Board include: strategic planning, approval of the annual budget, developing networks with the main players in society, and legally representing the organization.

## **II The Environment**

Development of community philanthropy in Brazil needs to be understood in the context of three broad factors: approaches to development and the role of government; levels of poverty; and meanings of philanthropy. These are described below.

*Approaches to development in Brazil have gone through various phases. In the first phase, lasting into the mid-1960s, government was seen as the principal engine of development. The main emphasis was on economic growth with direct government involvement in a broad range of public activities. The Brazilian military regimes took on the role of entrepreneurs for the overall needs of society. But, this model led to more government intervention, without the necessary resources.*

*In the second phase, analysts began to argue that economic growth needed to be accompanied by social equity. This meant greater attention to social development issues, and investment in health and education. Again, government was seen as the key actor.*

*The third phase followed the first oil crisis in 1973. Faced with growing external debt, delivery of public services was controlled and Government lost its primary role in this area. A new set of organizations, especially in civil society, was developed to cope with the range of activities previously managed by public institutions. This was the basis for the future decentralization of services from federal to local government.*

## Economic and Political

The economic crisis in the late 1980s encouraged recognition of the unique role that each community should play in its own development. But because of the history of authoritarian government, local efforts were weak. It was recognized that local initiatives could not flourish without support. Thus the fourth phase involves the creation of new support structures for local development outside government.

Key actors in this phase are intermediary, usually NGO-type organizations, that provide financial resources or technical assistance, and other forms of support, to local activities. Some also attempt to build leadership and management capacity at the community level and may be seen as potential Community Philanthropy Organizations.

Despite the important changes that have taken place in Brazil's recent democratic history, poverty and unequal distribution of wealth remain crucial issues. Poverty includes lack of access to a wide range of resources from the cultural, social, and environmental, to economic. In Brazil there is a sharp contrast between a small number of wealthy people and a great majority of poor.

### Attitudes to "Philanthropy"

In Brazil the term "philanthropy" is associated with benevolence and religious charity coming from the top down with the main purpose being the self-satisfaction of those who give or volunteer. It does not aim for social change but instead, through paternalism, reduces the self-determination and self-reliance of individuals. "Philanthropy" in Brazil is normally associated with maintaining the status quo.

These meanings give "philanthropy" a negative image in Latin American societies. If giving is a practice of the wealthy to maintain social order and the status quo, why would you give if you are unhappy with the current social situation? If volunteering is associated with the image of old ladies attending afternoon teas or playing bridge, why give your time? These images undermine the value of giving and volunteering, and create a view that philanthropy actually reinforces inequality and social

differences. Within these traditions, it is a challenge to convince people that philanthropy and volunteerism can contribute to Brazilian social development.

But at the same time, Brazil has a long history of giving and volunteering that dates from colonization by Portugal. Since then hundreds of thousands of voluntary initiatives, motivated by altruism and solidarity, have contributed to an extensive network of organizations and people who have helped their communities. From the efforts of religious missionaries during colonial times to the most recent history of political and social militancy of the 1960s and 70s, the range of initiatives surprises every observer.

Due to the negative image of philanthropy in Brazilian society, concepts such as "social responsibility" and "social investment" are increasingly being used to describe the activities of private individuals and institutions that act for public good. The idea that all citizens should contribute to the public good is very different from the traditional view that public good is the government's responsibility alone. Using concepts such as social *investment* emphasizes the need to look beyond "band-aid" short-term charity to longer term, sustainable social effects.

### From Philanthropy to Social Investment

Discussions about how to empower people in the Brazilian context need to involve at least four main actors: the state, and the government in power; the private sector/business; and the Third Sector, represented by a growing number of non-governmental organizations (NGOs), private voluntary and civil society organizations; and citizens.

There is now a need for people's organizations, harnessing energy expressed by "ordinary" people, moving from selfish interests into wider civil society. A key challenge for professionals is to redirect their efforts to help build such people's organizations, or assist those that are already in existence. This means that philanthropic organizations in Brazil need to take a different approach.



**TABLE 1.** Brazilian Philanthropic Organizations: *Appropriate Intervention Strategies*

<b>Intervention Criterion</b>	<b>Encourage</b>	<b>Discourage</b>
<b>Policy Formation</b>	Vision-led	Funding-led
<b>Attitude Towards Problems</b>	Build on assets	Correct deficits
<b>In the Lead</b>	Local people	External institutions
<b>Point of Intervention</b>	Intervention at the point where local actors are present and active	Top down
<b>Place</b>	Local to global	Global to local
<b>Allies</b>	Broad support	Narrow support
<b>Solutions Required</b>	Workable and obtainable	Effort on unchangeable
<b>Relations with Other Bodies</b>	Sharing and cooperation	Insulated and competitive
<b>Volunteers</b>	Parity with staff	Ancillary
<b>Hierarchy</b>	Flat or shallow	Steep or multi-graded
<b>Professionals</b>	Give technical assistance	Dictate solutions

For philanthropists and philanthropic organizations, adopting these strategies means moving from traditional charity to a social investment approach. But there are significant challenges in developing social investment.

### Challenges in Developing Social Investment

#### *Lack of Professional Management*

There is a lack of professionals to occupy top positions in the organizations that intend to do social investment. Until recently, there has not been a professional approach to managing most of these organizations.

#### *Encouraging Corporate Philanthropy*

The pressures for companies to become involved corporate citizens, and to demonstrate their commitment to employees and communities while they grow their business, are recognized by several business leaders in Brazil. The new approaches some companies are taking to evaluate and improve their community involvement programs demonstrate how these programs can also add value to business. Research conducted by ARCO-Brazilian Research and Advising Institute—among 58 Brazilian business people and

foundations concluded, “grantmaking is still non-scientific in most foundation-like organizations, they usually deal with difficult decisionmaking processes lacking the necessary information to define effective interventions.” A 1993 survey among 300 U.S. and European business people involved with operations in Latin America revealed that 56 percent of the Americans and 40 percent of the Europeans thought that the lack of local know-how was an obstacle to international community involvement. Thus, there is a clear need for information and professionals to implement corporate social programs effectively in Brazil.

### Legal and Tax Frameworks

Legal and tax frameworks do not appear to present any particular obstacles to development of community philanthropy in Brazil. The Brazilian Civil Code provides two main civil law forms of not-for-profit private legal entities: the association and the foundation.

To become an incorporated association, with a legal identity, the articles of association or by-laws must be registered in the Civil Notary Public Office for Legal Entities. The articles specify the rules, rights and duties of the organization, its members and its associates.

Foundations are created through a testament/will or public writ which must include information about the grantor(s); the grantors’ manifested intentions to create the foundation; the aim of the foundation; the grantor’s disposition of his/hers personal goods or real estate property with no liens. The foundation only acquires legal status after its by-laws are registered in the Civil Notary Public Office for Legal Entities.

Most of the not-for-profit organizations with public aims registered in Brazil are entitled to enjoy tax and other legal benefits. For instance, Article 150 (VI)(c) of the Brazilian Constitution states that the Union, States, Federal District and cities are not allowed to *tax educational and social assistance* not-for-profit private legal entities. To obtain the tax immunity benefit, the entity shall (i) not distribute its assets or profits among its members; (ii) shall keep accounting books in order to promote transparency of its activities and accounts; and (iii) shall limit the use of its resources to the Brazilian territory and to maintaining and developing its aims. Tax immunity covers an organization’s assets, income, services taxes and social contributions related to the essential activities of the entity.

Private not-for-profit legal entities with public aims may also qualify for different special designations:

- Public Interest Civil Society Organizations (OSCIPs) – Law 9790/99,
- Social Assistance Register – Law 8742/93,
- Philanthropy Certificate (CEBAS) – Law 8742/93, and
- Public Utility Status – Law 91/35.

Organizations with special designations are entitled to several tax and legal benefits from the different agencies of the federal, state and municipal government.

## III *Supporting the Development of Community Philanthropy and Social Investment—The Delivery of a Program*

### Background

In Brazil, there are few intermediary organizations, and scattered efforts of individual consultants or emerging study centers on philanthropy are not sufficient to meet current needs. IDIS sees building the capacity of intermediary organizations that can support the activities required as a result of the above diagnosis of problems as essential in building the sector.

Two organizations were created in the mid-1990s. The first, GIFE (the Group of Institutes, Foundations and private Enterprises)—which informally began in 1989 bringing together grantmaking organizations to exchange experiences—formally became an important networking institution in 1995. In 2001, GIFE had 59 member organizations, which together invested just under US\$300 million in 2000. GIFE's membership is representative of the Third Sector's grantmaking organizations and effectively works to disseminate the concept and practices of private grantmaking, encouraging others to do so in a more professional manner. The Ethos Institute for Social Responsibility, created in 1998, had over 374 member enterprises in 2001. Ethos was created in the style of the U.S.-based Business for Social Responsibility, and has as its aim the practice of responsible business on behalf of

private enterprises. Significant lobbying by both organizations has been aimed at social development and building a healthier and more sustainable environment.

As of 2001, there were no community foundations in the U.S. definition, i.e., with an endowment fund. A planning effort is currently underway in Rio de Janeiro to establish a community foundation-like organization called Instituto Rio. The project is receiving technical assistance from The Synergos Institute in cooperation with two Brazilian organizations, Roda Viva and the Institute for Cultural Action (IDAC). The aim of the new foundation is to provide more sustainable financing for nonprofit organizations in Rio that serve disadvantaged groups, in particular poor women and children.

For IDIS, the development of social investment in Brazil is focused on three activity areas: corporate social investment, education, and community philanthropy. The first two program areas are clearly distinguishable, with their own aims, but are still closely related to the development of community philanthropy.

### Corporate Social Investment

Corporate social investment is the voluntary donation by corporations of financial, human, technical, managerial or in-kind resources for the public good.

Through consulting, IDIS supports the social investments of new corporations seeking to organize or reorganize their capital to improve their performance and attain greater social impact. The objective is to provide technical support that will add to the quality of corporate social investment practices.

One of the values that underlies this consultation is that of *empowerment*. IDIS uses support mechanisms and technologies that assist in transferring knowledge so that, at the end of the consulting project, the client organization is able to invest socially and develop its own programs independently.

The second strategy under this heading is to act as an incubator of social investment organizations. The objective of the incubator is to create new grantmaking organizations over a specific period. IDIS assumes the technical responsibility for the *modus operandi* of the organization, training of human resources, development of program priorities



and monitoring of projects supported, establishing both the institutional relation with the donors and with the grantseeking organizations. This is done for a previously agreed time frame, while the new organization is being established.

### The Education Unit

With the growth of private social investment, both donor and receiving organizations have noted the need for improved quality training and learning opportunities for the development of their human resources. However, these organizations have identified the following obstacles: lack of qualified professionals available on the market, a limited number of training programs, and insufficient tools and methodologies adequate for nonprofit needs.

At the same time, with the growing visibility of the sector, the number of persons attracted to this labor market is increasing. This demand comes both from recent graduates and from professionals with experience in the public and private sectors, who want to contribute to this new sector.

IDIS has therefore created an Education Unit, with the principal objective of supporting the process of development and human resource professional qualification covering all dimensions of private social investment. The main strategies here are capacity-building for human resources, development of specific manuals, and educational programs.

IDIS runs the Administration of Civil Society Organizations in partnership with the Universidade de São Paulo (USP). This 90-hour course aims to inform and expand the knowledge base of professionals who have an interest in the Third Sector, or who are starting their career in this area.

IDIS develops manuals with the objective of disseminating information about experience with private social investment and providing educational programs with different formats oriented to a range of publics: university extension programs, seminars, presentations and workshops with both short and long duration, intensive or modular, in-house or at-distance. The objective of these activities is to contribute to the education of the sector, using new teaching technologies.

In all of the activities above, IDIS promotes and disseminates the idea of community philanthropy to a wider public, presenting cases and showing efforts in different countries. However, the third strand in IDIS' work focuses more

specifically on fostering the development of the concept and practice of community philanthropy organizations, including community foundations, through a set of coordinated activities: the DOAR program.

### The DOAR Program

The DOAR Program: Supporting the Development of Community Philanthropy and Social Investment was established in 2000. Its activities represent approximately 40 percent of IDIS' overall activities. IDIS' 2001 budget was approximately US\$150,000 to operate the DOAR Program. During the first year, IDIS implemented DOAR with a grant from W.K. Kellogg Foundation to set up the organization, and a grant from the Charles Stewart Mott Foundation for staff development. IDIS also received support from the Canadian International Development Agency and from WINGS-CF to attend the Community Foundations of Canada national conference in Ottawa in 2000.

DOAR is resourced by three full-time staff members (one economist, one business administrator and one social scientist) and two part-time staff members, as well as four external consultants.

The four key strategies of the DOAR program are:

- Promotion of the concept and practice of community philanthropy organizations grounded in Brazilian culture and realities;
- Technical support for leadership development of a cadre of individuals and organizations from selected communities that promise to become influential in the overall development of the sector in the coming years;
- Major effort to give technical support to implement local projects for creating or strengthening community philanthropy organizations, including the training and upgrading of staff members and volunteers—better preparing them to meet the needs of such organizations in a more professional manner;
- Major effort to create a Community Philanthropy Organizations Permanent Forum, where key issues and directions can be addressed by such organizations and their representatives as partners in social development in Brazil.

The empowerment of selected communities is the most important element of a strategy to increase the capacity and effectiveness of existing organizations, and to facilitate the creation of new ones. Drawing on and emulating

positive examples of existing organizations and practices plays a crucial part in strengthening the community philanthropy movement in Brazil.

DOAR's goals are:

- To create and/or strengthen community philanthropy in selected communities in a five-year period, through existing CPOs or through the establishment of new ones;
- To increase the capacity of emerging community leaders in the sector;
- To increase awareness, knowledge and understanding of Brazilian community philanthropy, and the role of philanthropic organizations;
- To promote and advocate on behalf of the community philanthropy movement to key target audiences in Brazil, especially among community and business leaders; and
- To build a strong and sustainable Brazilian network of community philanthropy organizations, founders and other interested groups.

The DOAR program was publicized through existing networks and identified community leaders. Cities to participate in the program were selected according to a set of criteria that took into account the current level of philanthropic efforts carried out in the cities; existing/emerging leaders that might lead the process of mobilizing the main players in the communities; and a significant number of existing civil society organizations and representatives from the business community. They were selected by IDIS' staff and consultants from different organizations that work in community development.

In each city, IDIS identified a prominent personality in the community who helped select and contact other potential leaders. From the beginning, it was agreed that the program should involve participants representing all the sectors: private, government and civil society. Each participant community in the program then goes through a preparatory and an implementation phase.

The *preparatory phase* lasts a year. During this phase, community leaders from participant communities are identified and selected to take part in leadership training. Leadership training consists of two steps. The first step introduces the concept of Servant Leadership, indicating the main differences concerning the frequent styles of leadership and explaining the reasons why this is the most adequate style to be followed when working with social development. The second step is designed to help leaders become aware of some relevant skills and the related knowledge and attitudes required for personal, organizational and community development. Indications of how to develop those capabilities are also provided. The structure of the seminars and the set of manuals that support the program were developed by IDIS' staff.

Also during this phase, participating community leaders design and develop a community plan to foster local philanthropy and private social investment.

The community plan is intended to address the following issues: community analysis, mission of the CPO (Community Philanthropy Organization), objectives, activities and timetable, budget for the next two years, key indicators, and risk analysis. The community leaders develop the plan using the knowledge they have gained from three seminars and five manuals. After each seminar they also undertake tasks at the community level. For example, one of the efforts involves ongoing mobilizing activities. It is their responsibility to prepare the final document to be delivered to IDIS for evaluation.

The *implementation phase* takes two years. During this phase the following activities take place:

- Technical assistance to the selected communities to implement their own proposals;
- Field visits for supporting and facilitating local processes initiated by the community philanthropy organizations;
- Networking opportunities among participants to share lessons learned and also to address selected topics of common interest. Such opportunities can be workshops, seminars, conferences, or travel tours for learning opportunities.



The DOAR Program is working with nine cities in the state of São Paulo. As shown in the table below, estimated potential giving in these cities ranges from US\$3.9 million to \$79.2 million. The pool of communities represents an interesting cross-section of the State of São Paulo, the wealthiest state in the country.

The communities are working on their strategic planning based on a community assets diagnosis which they have already carried out. They are also strengthening their leadership to make better use of the available resources, and learn how to identify and attract new ones.

The program was completing its first year at the time this case study was prepared. During this first year, technical materials were developed, and a set of manuals was shared with participating communities. A new cluster of communities in other Brazilian states beyond São Paulo will have been selected in the second half of 2001, and in 2002, IDIS begins working with ten large metropolitan centers throughout Brazil.

To date, IDIS has conducted a number of seminars, meetings, and conferences, including two seminars involving at least 40 leaders from all the cities and a third one carried out in each of the nine cities, involving approximately 25 community leaders in each. IDIS has also organized an international conference in Sao Paulo with three international and five Brazilian speakers, attended by over 200 people. The objective of the conference was to promote the concept of Social Investment. In total, around 900 people have been involved in the DOAR Program in some manner.

**TABLE 2:** Population and Potential Contributions of Cities Where IDIS is Working.

Cities	Population	Projected Social Investment (in US dollars)
Botucatu	107,000	7,704,000
Diadema	370,000	26,640,000
Guarulhos	1,100,000	79,200,000
Limeira	250,000	18,000,000
Marília	800,000	57,600,000
Penápolis	55,000	3,960,000
Santa Bárbara d'Oeste	121,531	8,750,232
Santo André	650,000	46,800,000
São José dos Campos	520,000	37,440,000
<b>TOTAL</b>	<b>3,973,531</b>	<b>286,094,000</b>

*Note:* The potential contributions by individuals were calculated using a figure of US\$72 (R\$158) per year, per individual as the average for Brazil. This research, carried out by Leilah Landim in partnership with Johns Hopkins University, surveyed 1,200 individuals in cities throughout Brazil with a population greater than 10,000.

At the end of the five-year period, the DOAR Program expects to involve at least 30 cities and the goal is that at least 15 of those will have a community philanthropy organization which will continue on after the end of the Program. IDIS expects that all the cities involved will play a role in disseminating concepts and ideas related to more effective and efficient social investment.

## IV *Key Tensions and Challenges*

The main risks, challenges and opportunities (over three years) of running the DOAR Program, identified in the IDIS business plan, are summarized below. Risks included:

- Private foundations and enterprises in Brazil might perceive the community philanthropy model as inadequate and inappropriate for local development.
- International grantmaking organizations currently funding the promotion of community philanthropy might shift their funding priorities, reducing funding opportunities.
- Other initiatives might “compete” with IDIS to lead this theme.
- Funding management may lay more focus on short rather than long term planning.
- Leaders in each community to conduct DOAR’s initial activities might be wrongly selected, leading to “negative leadership.”
- There might be a financial crisis in Brazil.

The only risk to materialize as yet has been a financial crisis in Brazil. Recent electricity shortages, along with the economic crisis in Argentina, has led to reduced projections for economic growth, currency devaluations, and reductions in some companies’ donations for philanthropic activities.

Set against these risks were a range of opportunities to:

- Stimulate Brazilian legislation to increase local fundraising through community philanthropy models;
- Stimulate the dissemination of the concept of philanthropy and community social investment among national grantmaking organizations, local government and private enterprise;
- Create adequate infrastructure (course material, newsletters, conferences);
- Create an endowment fund at IDIS to direct the revenue for continuous support;
- Stimulate local community philanthropy organizations to create their own endowment funds;
- Guarantee quality training to IDIS staff members and DOAR Program participants;
- Create new areas for IDIS to develop in accordance with its mission statement;
- Train local community philanthropy support organizations to raise funds from local, national and international sources;
- Stimulate the government to fund and partner with local community philanthropy support organizations;
- Stimulate community philanthropy support organizations to create endowment funds; and
- Create a leadership development model with emphasis on community needs.

A number of these opportunities have come to fruition. For example, legislation has been approved which will allow greater tax benefits for philanthropic activities. Another example, is the growing interest in the program; a recent IDIS conference on the development of community philanthropy gained national media coverage and resulted in 39 cities expressing interest in the program, as well as discussions with five potential national donors who may fund cities throughout Brazil.

The opportunities and the very success of the program have created their own challenges. The program has been a key opportunity for staff development, while also creating a new set of directions for Brazilian social investors. IDIS has been a pioneer organization in this activity in Brazil and has found that the general public is becoming progressively interested in the program and in the overall strategy that has been pursued. An increasing number of communities are requesting IDIS' assistance. Because IDIS is operating the program through donors, and free of charge to communities, a major challenge has been to accommodate the large number of requests and to ensure the sustainability of the program within IDIS.

Other challenges have been maintaining the DOAR timetable, given that the program demands an extra effort from the communities and their leaders and players, creating difficulties in balancing personal and professional agendas. In addition, the program has had to find the right balance between the local community development process in strengthening local philanthropy and the model proposed by IDIS.

The main priority in 2002 will be moving to the second implementation phase of DOAR, when IDIS will support the development of the community philanthropy organizations that participated in the first round of the program.

The process with the next group of cities may be somewhat different, with companies sponsoring specific cities in which they have significant presence. IDIS is already negotiating with some companies committed to working with the communities where they are located. These companies will be important partners in tackling social issues and promoting social development at a local level.

Marcos Kisil sums up the demands and the success of DOAR: "IDIS is investing at least one third of its staff time and funding in the DOAR Program in order to fulfill the mission of IDIS to support the efficient and effective use of community resources available to philanthropic purposes. We consider this a significant step in creating a more sustainable and just social reality in Brazil."

