

Newsletter No. 5

Conference “Enhancing Impact Investing in Brazil”



Dear reader, prezados leitores e prezadas leitoras,

We are glad to present our fifth newsletter on Impact Investing in Brazil. The aim of the newsletters is to further unite the Impact Investing community, to provide a channel to exchange ideas and simply to inspire.

In this edition, we will provide you an overview of the “Enhancing Impact Investing” conference which took place on August 28th in São Paulo. There are another two editions planned for this year, in which we will bring a more in-depth analysis of the conference outcomes, as well as an overview of the latest deals and research developed along 2013.

The conference goal was to discuss challenges and hurdles that need to be overcome in order to accelerate the development of the Impact Investing industry in Brazil. It also aimed at providing participants with a platform to network and learn about the different perspectives of investors, entrepreneurs, accelerators and academics.

This newsletter is divided into three parts reflecting the conference agenda.

The first one encompasses two very inspirational opening speeches about Impact Investing – one from Banco Palmas, a community bank located in the State of Ceará, and one about The Why, The What and The How on the need for Impact Investing.

Also the Evaluation Center for Impact Investing incubated by Insper and a set of

outcomes of the University of St.Gallen Impact Investing Research Platform were presented. To close the first part, there was a panel discussion between family offices funds and accelerators with real cases from IT3Capital, Artemísia and Pipa.

The second part was dedicated to sector-related Impact Investing presentations, with the results of a HSG master thesis on Biomass for Brazil, and the outcomes of an impact measurement methodology in the area of education.

In the last part there were three thematic roundtables about the challenges and potential solutions in the sectors of “Education”, “Social Housing” and “Alternatives and Access to Funding” in which participants were empowered to share their ideas and ask questions directly to the top-class speakers.

The momentum surrounding Impact Investing in Brazil shall not be missed. Only to compare, the last conference in December 2012 brought together around 70 participants, while this last conference in August 2013 counted on around 200 like-minded participants.

We would like to thank our conference partners – Insper and the Sustainability Committee of the Swiss-Brazilian Chamber of Commerce– and the supporters: ICE, Endeavor Visão de Sucesso, and Artemísia. The conference success is the result of a very harmonic and integrated joint work.

We hope you enjoy reading our newsletter!

Linda König (Newsletter Editor)

Introduction

Around 200 participants have taken the opportunity to discuss necessary steps to enhance the Impact Investing industry to the next level in Brazil. The goal of the conference was to enable various stakeholders such as accelerators, investors, entrepreneurs, researchers and interested audience to share their perspective and give the community a platform for networking.



Opening speech about the case of the community bank "Banco Palmas" by Asier Ansorena.

The organizers **Angélica Rotondaro** (Managing Director HSG Hub São Paulo), **Sergio Lazzarini** (Academic Director at Insper) and **Stephan Buser** (Head SwissCam) emphasized the great potential of Impact Investing for Brazil to tackle socio-environmental problems and to provide services to the BoP (Base of the Pyramid).



200 like-minded attendants and opinion leaders joined the "Enhancing Impact Investing in Brazil" Conference

Jürgen Brücker (Head External Relation & Development) introduced the University of St.Gallen and its research interest as *"Impact Investing is not just an empty term but more so the generation of social and or environmental value in a sustainable manner"*. **Claudio Haddad** (President of Insper) mentioned the cooperation with the University of St.Gallen in terms of faculty and students exchange with the support of the Lemann Foundation as well as conferences and academic cooperation in the area of Impact Investing. **Stephan Buser** (Managing Director SwissCam) praised the cooperation with the University of St.Gallen in Brazil and the joint work in relation to building a Swiss-Brazilian network.

The Sessions about Impact Investing

The opening session achieved its objective of being very inspirational and to enhance attendants' mood into thinking on different solutions and business models. **Asier Ansorena** (Banco Palmas) presented Banco Palmas as one of the first project to fight poverty promoting Impact Investing through community banks in Fortaleza by connecting local producers and consumers. The organization founded by Joaquim de Melo is constantly developing itself in order



to be able to participate in the financial market in the future and gain access for the population to the globally available financial service industry together with Zurich Financial Services to develop a micro-insurance.

Ernst von Kimakowitz (Director Humanistic Management Center) asked the important questions - what, why and how impact investing - giving practical example followed by *"Business has to become part of the solution and stop being part of the problem of social injustice."* His presentation showed what could



happen if the inequality continues in the world and why it is so difficult to find a common definition of Impact Investing because of its unique position between traditional financial investment, Corporate Social Responsibility and Philanthropy adopting characteristics of all of them.

Sergio Lazzarini (Academic Director, Insper)



explained the need for social impact measurements regarding the evaluation of Impact Investing of public projects of the

government by an independent third party with pre-, post- and control group test. He introduced the concept of an evaluation center to be incubated by Insper and how it could work together with investment funds, enterprises, research institutes, NGOs and the government in order to reach a consistent measurement of social impact generated by the project.

Angélica Rotondaro (Managing Director HSG Hub São Paulo) presented the research



platform on Impact Investing of the HSG Hub São Paulo, with its multidisciplinary network of professors, and the current master & PhD theses being developed. This platform's main objective is to support building the Impact Investing ecosystem in Brazil, by bringing key players together, and through research and pilot projects that consolidate and developed knowledge in this area.

These academic perspectives have been presented at a conference for the first time and were of great interest for the participants as the predominant approach in this new industry focuses on practical results and research fields are currently in development.

Panel Discussion between Family Funds and Accelerators

Dhaval Chadha (Founding partner of the accelerator Pipa) focuses on Social Businesses



that transform through technology as this is one of the fastest change enablers because of innovation and scalability. They work on two key areas such as inspiration in order to create more “potentially successful” start-ups and in finance bridging the gap between very small investments and the first big investment by a family fund or equity company. He also confirmed that they were constantly looking for new entrepreneurs especially at universities because of the skills taught to potentially lead a large-scale business.

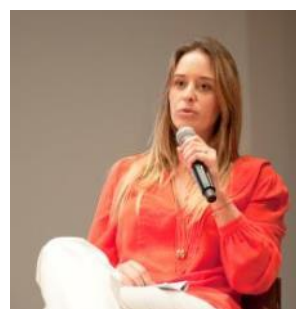
Renato Kiyama (Director of Institutional Development at Artemisia Social Enterprises) explained the services in terms of business education, networking and vetting of ideas that they can offer as accelerator



for start-ups in different stages which was especially interesting for the numerous entrepreneurs in the audience looking for information in this area.

Luiza Nascimento (IT3Capital) presented the view and services of a third-generation family office which do not only invest in social business companies directly but also in accelerators as partners (e.g. Artemisia) who enable entrepreneurs through business education to pursue their idea and be more likely to build a successful enterprise in order to have a bigger impact. *“We as investors must be open towards ideas and therefore stimulate innovation that can be used to improve the lives of many.”*

As a third-generation family fund IT3Capital uses its investments as strategic tools to generate a change in society according to their family values and take responsibility as leaders in this field for other organizations and individuals.



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Sector related Impact Investing

The second part was dedicated to sector-related Impact Investing presentations, with the outcomes of an impact measurement methodology in the area of education, and the results of a HSG (University of St.Gallen) master thesis on Biomass for Brazil.

Naercio Menezes (Director of the Center for Public Policies at Insper) presented the results of a study developed with Itaú Unibanco to measure the impact of technical education (Ensino Médio Técnico) on the young apprentices’ income generation and living conditions

compared to their peers without continuous education. The study results show that there is indeed a positive increase of 12.5% in the salaries of the individuals that attended the technical school in relation to those that did not attend it. The regression of the financial investment in technical studies, when brought to present value and compared to the salary in-



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crease shows though that higher income justifies on average education costs of 13'000 Reais also as an Impact Investment from a society point of view.

Estelle Tanner (University of St.Gallen) lectured on the decision-making behavior of traditional and Impact Investors in the case of renewable energy, based on the result of her master thesis, deriving to the conclusion that an investment in biomass facilities is only partly suitable for Impact Investors due unclear social and environmental impact and a strong preference for hydro-energy in Brazil.

Both presentations were vividly discussed amongst attendants who questioned the use of economic measures to value social impact, especially in the case of education; and by entrepreneurs from the South of Brazil who attended this conference specifically to learn more about the potential of their projects.



Roundtables of Entrepreneurs, Accelerators & Investors



Leandro Pongeluppe (Insper) and Sergio Lazzarini group the insights of the audience

The last part featured three parallel roundtables including a set of six experts on the panel each focused on the topics “Social Housing”, “Alternatives and Access to Funding” as well as “Education”. Each one of the roundtables had to group the biggest problems in their field into different categories and then come up with solutions. Each panel consisting of entrepreneurs, investors and accelerators led by an academic enabled the audience to interact with the top-class speakers and directly ask their questions. The next newsletter will focus on the analysis of the results generated in these roundtables.



Panel about “Alternatives and Access to Funding”

The panelists of “Alternatives and Access to Funding” – Norival Rico Filho (BeijaFlor), Asier Ansorena (Banco Palmas), Leonardo Letelier (Sitawi Financas do Bem), Antonio Moraes (VOX Capital), Tatiana Fonseca (Quintessa), and Wolfgang Reichenberger (Inventages VC and HSG Alumnus) (in the picture on the left side, from left to right), discussed under the moderation of Sergio Lazzarini and Leandro Pongeluppe (Insper) various approaches to obtaining capital ranging from Corporate Social Responsibility (CSR) budgets to attracting investors who also expect market return rates from their social businesses. Antonio Moraes (VOX Capital) on the need to participate in the financial industry *“Through Impact Investing we can provoke a change of paradigms. The more I improve the people’s life, the higher is my financial benefit (win-win). In a final stage this ideally leads to a new and more equalitarian capitalist system.”*

In this roundtable the audience identified the lack of information about available funding and suitable investors as one of the key challenges in Impact Investing in Brazil. This was also the reason stated by several of the participants on why they decided to attend the conference.

At the “Sustainable Construction and Social Housing”, Maria Cavalcanti (FIRST Brazil), Andrea Piazza (LGTVP), Roberto Loeb (LoebCapote), Fernando Assad (Vivenda), Yannick van der Vaart (Abramar), Ruban Selvanayagan (Fez Tá Pronto) under the moderation of Angélica Rotondaro and Simon Locher (HSG Hub São Paulo) identified that the expected high scales - such as project size and investment level - lead to perceived high risks for investors. Another challenge is the fact that many of the existing projects are adapted to the governmental program “*Minha Casa Minha Vida*”, which leads to little space for innovation.



Roundtable "Housing" with Ruban Selvanayagan, Fernando Assad, Maria Cavalcanti and Yannick van der Vaart

The roundtable about education featuring Leonardo Damião (Gera Venture), Juliano Souza (Melhor Escola), Elton Vieira (Cota Comigo) Bernardo Nunes Mazzini (Fabrica de Aplicativos), Gilson Ferreira (Massa Cinzenta) and Veronica de la Cerda (MOV Investimentos) was facilitated by Peter Sester (guest professor at the University of St.Gallen) Mariana de Castro (Goethe-Universität Frankfurt am Main) and Frédéric Kuonen (University of St.Gallen). Together they identified among

several of the discussed topics the lack of incentives for teachers and administrators to improve public schools, the question marks on how to scale up the good examples, and the restriction towards innovative projects as the key challenges for Impact Investors to focus more on education.



Veronica de la Cerda in conversation with Peter Sester

The outcomes of these three tables will presented and discussed in our next newsletter. They will also be the basis for a fellowship program being organized by the University of St.Gallen to foster research in the areas indicated by those who are effectively in the field of Impact Investing in Brazil.



Mariana de Castro and Frédéric Kuonen organizing the answers and ideas of the participants

Outlook

The conference program developed by the HSG Hub São Paulo aimed at bringing a balanced mixture of interesting speakers and participants that reads like a „Who’s Who?“ of the



Wolfgang Reichensberger (Inventages VC), Asier Ansorena (Banco Palmas), participant Samar Sleiman and Angélica Rotondaro (HSG Hub São Paulo)

Impact Investing scene in Brazil. Maria Cavalcanti who has been working in this community for more than six years as the founder of the investment fund FIRST Brazil states *“I have met many old friends again but also gotten to now great participants (specifically the research community) which can contribute a new perspective to the discussion which was not represented until now.”*

We hope that everyone enjoyed the networking parts during and after the conference and we are looking forward to hearing about deals made, research projects started and discussions



initiated at the conference in the last newsletter of 2013 which is planned for the end of November.

Jürgen Brücker (Head External Relations and Development of the University of St.Gallen) and Claudio Haddad (President Insper) ringing a traditional Swiss cow bell to open the conference.



The conference presentations, the full conference program and the biographies of all speakers are available at the [Impact Investing Brazil Blog](#). Please also subscribe to our [newsletter](#) to receive the next editions delivered directly to your mailbox.

For more information about:

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