

Newsletter No. 6

Results of the Roundtables of the Conference



Dear reader, prezados leitores e prezadas leitoras,

We are glad to present our sixth 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.

After the last edition of the newsletter, which gave an overview of the entire second Impact Investing conference on “Enhancing Impact Investing in Brazil”, we would now like to focus on the outcomes of the key part of the conference – the roundtables on “Alternatives and Access to Funding”, ”Social Housing and Sustainable Construction” as well as “Education”.

The roundtables enabled the audience to interact directly with the opinion leaders representing the perspectives of investors, entrepreneurs, accelerators and the academics from the University of St.Gallen, the Impact Investing Platform of the HSG Hub Sao Paulo and In-sper. This unique setting proved to generate a stimulating and fruitful discussion.

The goal of the roundtables was to give all participants the chance to interact directly and equally with the panelists as well as bringing all the key players of the community together. Additionally, new research questions were generated by feeling the pulse of the Impact Investing industry through the discussion of key challenges and potential solutions in order to enhance the industry.

To enable the participants to focus on their field of expertise and interest on the confer-

ence day, the roundtables were organized by sectors. The moderation of the discussion by an academic ensured a neutral conversation as well as the documentation and further use of the generated results.

The roundtable about “Alternatives and Access to Funding” focused on potential new frameworks that would allow classifying investments of social impact differently to traditional investments maximizing financial return. This also relates to the basic but challenging question of balancing business and social impact that should be defined first for the industry.

“Social Housing and Sustainable Construction” identified the challenge of high investments and lack of innovation as key problems and argues for the leverage of best-practice projects and social urbanization.

“Education” addressed the unclear division of responsibility of multiple governmental organizations (federal, state and municipal) and the difficult scalability of social impact projects in schools.

The outlook will provide the readers with an idea of what to expect from the next newsletter, which will present the latest developments of the three-month period after the conference. We are looking forward to receiving any suggestions, insights and comments from you by the mid of November in order to be able to incorporate them. Additionally, we would like to invite you to stay updated through our Facebook page “Impact Investing in Brazil”.

We hope you enjoy reading our newsletter!

Linda König (Newsletter Editor)

“Alternatives and Access to Funding”

This was the largest table and featured participants from various backgrounds: Norival Rico Filho (BeijaFlor Biomass), Asier Ansorena (Banco Palmas), Leonardo Letelier (Sitawi Social Finance), Antonio Moraes (VOX Capital), Tatiana Fonseca (Quintessa) and Wolfgang Reichenberger (Inventagens VC) moderated by Leandro Pongeluppe and Prof. Sérgio Lazzarini (both Insper).



The participants from left to right.

The problems in this sector revolved around bureaucracy, expectations of return, sources of investment and impact measuring as the challenges. Also the roundtable has come up with a potential definition of what could be classified as Impact Investing.

The Impact Investing industry is in the dilemma that they are taxed as a “for-profit” company but still are looking for social impact similar to the non-profit sector. Having a new legal system (also in terms of taxation) would enhance the demand for Impact Investing and potentially reduce bureaucracy.

Nevertheless, for this to happen, the industry needs to clearly define what Impact Investing is including a statement about the financial return expectations.

Many key players are using their own working definition which prevents the industry from coming together. The balance between financial return-seeking and the desired measurable social impact should be clearly defined. The roundtable members agree that Impact Invest-

ing projects are those seeking social impact and expecting to get back at least the inflation-corrected principal.

Based on this or any other definition, Impact Investing sources of funding can be searched along the range of philanthropy to traditional financial investments. Many entrepreneurs have stated this as one of the main problems as they do not know where to find or how to best approach potential investors or other sources of financing. Wolfgang Reichenberger (Inventagens VC) states *“Certain social problems cannot be solved in a financially profitable way enabling the entrepreneur to find an investor at the capital market, therefore these projects also rely on support from philanthropic foundations which is available”*.

One way of enhancing the industry would be to clearly define Impact Investing in order to gain a more precise profile, participate in the financial market and enable comparisons between projects.

The lack of comparable measurements of social impact and Key Performance Indicators (KPIs) prevents the industry from viable alternatives and this provides fruitful research propositions. As a key solution, Insper is incubating an Evaluation Center which could help provide generally accepted measurements from an academic perspective, including a third-party to observe them in the field.

The next steps to take in order to enhance to industry are the definitions, framework and the KPIs of the measurement of impact.



Sérgio Lazzarini and Leandro Pongeluppe (both Insper) moderated the panel and consolidated the suggestions from the

audience.

“Social Housing and Sustainable Construction”

This roundtable provided attendants with the chance to interact with Impact Investing key opinion leaders like Maria Cavalcanti (FIRST Brazil), Andrea Piazza (LGT-VP), 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 (both University of St.Gallen).



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

The social housing sector faces several challenges such as high initial investments, close links to the political spheres and focus on existing business models, but also interesting new ideas how to overcome them.

Firstly, social housing projects require large investments at the beginning which can prevent them from successfully attract investors. Additionally, real estate speculation and the comparably long-term perspective until return is generated hinder entrepreneurs to fully indulge into this sector. But the roundtable has identified the cooperation with family offices and foundations as a key solution to this problem because of their long-term orientation and high liquidity.

The second challenge results directly from the first one mentioned above. Because of the high

required initial investments, there is very little space given to innovative ideas and most organizations focus on existing projects related to “Minha Casa, Minha Vida” much more than in other sectors. As a key solution, the roundtable identified the replication of other successful projects from neighboring Latin American countries such as Colombia.

The third barrier is imposed by local political spheres therefore demanding a systemic approach to social housing. The social housing industry is closely interlinked with the public sector because projects that are built in a distance from urban centers are followed by the need for new infrastructure and transportation. From a socio-cultural perspective, the residents of deprived communities often also do not see the benefit of relocating because the new apartment or house would be far from their workplace and they lose the relationships with current neighbors. Additionally, social housing projects enforce the clusters of social classes because you they do not foster the exchange between inhabitants of socio-economic classes. To solve these problems, the table discussed the concept of social re-urbanization which focuses on upgrading currently inhabited neighborhoods rather than building projects in a distant part of the city. Also a regional focus is needed because of the close relationships needed with the municipality in order to find public-private partnerships and leverage on scalability of projects.

One important point in the future will be the idea of not only social but also environmentally sustainable housing.

As a next step, case studies will be developed to disseminate best-practice examples in this sector that adapt best to the various factors that cannot be influenced by impact investors such as available real estate or public transportation.

“Education”

Under the guidance of Peter Sester, professor invited by the University of St.Gallen, the roundtable featured participants from various organizations that are related to the education sector: Leonardo Damião (Gera Venture), Naercio Menezes (Insper), Elton Vieira (ContaComigo), Bernardo Nunes Mazzini (Fabrica de Aplicativos), Juliano Souza (MelhorEscola), Mariana de Oliveira Leite de Castro (University of Frankfurt) and Frédéric Kuonen (University of St.Gallen).



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

The audience identified several obstacles to Impact Investing in the education sector such as legislative impediment, corporatism in the public administration and lack of scalability.

The first challenge of the unclearly divided responsibility between the three spheres of public administration (federal, state and municipal) regarding the education sector effectively prevent the investors from supporting or rolling out a project. As a solution remains difficult, the Impact Investing industry should pay close attention to the political environment when acting in this sector.

The experts have also experienced some cases where the public schools were not interested in

a private initiative though it would have been advantageous to their pupils. Additionally, they faced ideological interference in decision-making because teachers and students of public schools would tend to decline the support as they perceive it as an attempt to take control over the school. Potential solutions to tackle the above mentioned problems include better remuneration of professors which could also be linked to the progress of students in order to improve the teaching. A general agreeing was that Impact Investing should focus on pre-university level in order to have the highest impact.

Thirdly, numerous special initiatives with limited scope are not sufficient to meet the huge demand of the population and scalability across Brazil remains a key problem also because of the different political spheres.

As next steps, the roundtable has identified the need to listen to professors and education specialists what would actually be useful to improve education instead of a presenting a finished project which cannot be implemented for practical reasons. The scalability of projects in this sector could be another research topic of high interest for the community.



Every participant was given paper and pen in order to contribute thoughts and ideas.

Outlook

All these insights generated from the roundtables will help to further enhance the industry through identifying key challenges and potential solutions with involved experts. The results go beyond the lack of measurements and frameworks as the key components of the industry progress which have been also identified by other organizations such as consultancies and think-tanks. The focus on necessary improvements and sharing of potential solutions can be seen as the first step to enhancing the entire industry.



The Impact Investing Research Platform of the University of St.Gallen Sao Paulo has elaborated multiple research topics and is currently in discussion with various professors and or-

ganizations to define case studies, cooperation with entrepreneurs, comparative studies and supervision of these. The topics range from the analysis of business models especially in the housing sector, scalable projects in education or measurements of impact and KPIs in the investment process.

We would like to thank all speakers, panelists and participants again for their insight and the fruitful discussion at the event. We are looking forward to learning everything about recent developments, cooperation between organizations and companies, research proposals and so on from the community to potentially feature in our next newsletter which will be published in early December. Please do not hesitate to get in touch with us.

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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