



Instituto Carlyle

A private equity fund servicing better education

Instituto Carlyle Brazil is a non-for-profit association created by the Brazilian branch of the Carlyle Group. It offers financial and technical support to social organizations that focus on education. It provides tailored, long-term financial resources, with clear entry and exit strategies, as well as and non-financial support to help the organization become structured and achieve financial independence.

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LOCATION:

Regional - São Paulo, Brazil



MAIN PARTNERS:

- PwC & Pinheiro Neto Advogados
- Wide Comunicação
- Businesspeople



FINAL BENEFICIARIES:

- Children and youth
- Participants in professional training courses



SECTOR:

Education



TYPE OF INVESTOR/SILO:

Investor



DURATION:

2011

– now



MOTIVATION/PROBLEM TO TACKLE:

Improving education and employability rates by supporting social organizations that work with children and youth outside school hours.



NON-FINANCIAL SUPPORT OFFERED:

- Governance
- Financial management
- Business strategy and/or model
- Auditing
- Communication



SDGS ADDRESSED



TYPE OF FINANCING:

Donations

RESOURCES INVESTED:

USD 40,000-120,000 per supported organization.

IMPACT:

Over a collaboration period of four to five years:

Revenues increased at least 5x

70% increase in volume of people served



Recognized as one of Brazil's

100 Best NGOs

300%

return on investment according to the IDIS methodology





BACKGROUND AND CONTEXT

Brazil is the ninth largest economy in the world, but according to the PISA 2018 index it ranks below the 58th place in terms of education. In this country, according to the Brazilian Institute of Geography and Statistics (IBGE), 11.3 million people are illiterate, 6.8% of people over the age of 15 cannot read or write, and only 47% of Brazilians over the age of 25 completed secondary education.

The quality of education is also critical: only 29.1% of the students who complete secondary education in public schools are proficient in Portuguese, and 9.1% are proficient in Mathematics, according to estimations by Todos Pela Educação.

In 2011, executives from the Brazilian branch of the Carlyle Group –one of the largest private equity firms in the world– founded Instituto Carlyle Brazil, a non-for-profit association that seeks to contribute to the development of education in this country by supporting NGOs that focus on improving the quality of education.

What sets it apart from others is the application of the Group's private equity methodology and mentality to philanthropy, applying its fundraising and business management know how. Its team is made up of investment professionals who work with the Carlyle Group, in addition to several business partners from different sectors (lawyers, auditors, consultants, communicators).



DESCRIPTION

Instituto Carlyle seeks to strengthen the management of NGOs working in education through financial investment and the provision of knowledge from a network of partners. Once the management of the NGO has been strengthened, the Institute helps stabilize and maximize its portfolio of investors in order to increase the number of children served.

Instituto Carlyle's financial resources come from grants that companies that make up the Group's portfolio make, which contribute monthly, quarterly, or annual amounts that they define themselves, based on their development stage or nature. In order to provide non-financial support, the Institute relies on partner companies that include law firms, accounting offices, communication consultants, and auditing firms.

"What if our experience in managing private equity funds were used in education NGOs? Education is one of the biggest bottlenecks for Brazil's productivity. According to a study by professor Hanushek, from Stanford, Brazil is failing to gain 1.5% of its GDP due to the productivity gap caused by the lag in education relative to other countries." Karina Blanck, CEO, Instituto Carlyle Brazil.

The support provided by Instituto Carlyle Brazil adopts a long-term model based on venture philanthropy, with clear entry and exit strategies and technical support, helping the organization become financially independent.



IMPLEMENTATION

The supported organizations are non-for-profit associations that already have some history of success, with a good pedagogical plan and a good physical structure, without a very large budget or a well-structured fundraising team, and who need an open, professional, and committed leadership. They cannot rely on one single person and leadership succession must be possible.

The support process works in four stages:

1. Registration and Selection	Open call on the Institute’s website.
2. Due diligence	Verification and analysis of the information submitted by the pre-selected organizations.
3. Planning	Once approved, the Institute meets with the organization to establish an implementation and support plan adapted to the demands of the organization.
4. Implementation and follow-up	Once the implementation plan has been approved, the Institute carries it out with follow-up throughout the year.

The Institute works based on two lines of support: financing and management.



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Tailored Finance

The Institute invests for five years an annual amount of USD 40,000-120,000 (according to the needs and maturity of the organization). This amount excludes non-financial support provided by partners. To ensure personal attention, it only supports two organizations each year, helping them enhance their performance and independence. Under the terms of the partnership, grants are linked to the creation and execution of a work plan.



Non-Financial Support

Along with financial support, management support is provided in partnership with companies that are prestigious in their areas of operation. There are five pillars in this line:

- 1... **Governance:** collaboration with Pinheiro Neto law firm, which supports not only with the initial due diligence stage, but mainly with the legal aspects of organizations.
- 2... **Communication:** review of the visual identity, activity report, and renewal of institutional photos and videos. Support by Wide agency.
- 3... **Auditing:** in collaboration with PwC, Ernst & Young, or KPMG, hired at a discounted rate.
- 4... **Strategic planning:** in collaboration with, for example, Bain & Company.
- 5... **Fundraising:** part of the financial support includes hiring a subject matter expert to structure all business and accountability processes, both for private investors and public/incentivized calls.

The non-financial support plan starts with the governance and strategic planning structure, followed by the hiring of the fundraising expert and, at the end of the first year, the audit. At the same time, the institutional image and communication is reviewed.

This non-financial support seeks to provide organizations with the strength to improve their structure and fundraising processes and to meet the control and compliance demands of investors.

"The first year's only function is to begin structuring governance and fundraising. The organization needs at least two years to form its first portfolio. The third year is when there is a first cycle of investors renewal, when fundraising can be measured more clearly." Karina Blanck.

In terms of follow-up, the supported NGO is assigned a volunteer from Instituto Carlyle or from the network of entrepreneurs. The volunteer becomes a member of the organization's Board, holds monthly follow-up meetings and quarterly Board meetings, and is also responsible for reporting on progress and drawing attention to the NGO at the Institute.

The Institute usually offers support for a period of four to five years and is always aware of what its financial support represents for the total amount raised each year. When the supported organization reaches a level of maturity, with a good structure and a solid and diversified portfolio of investors, the Institute withdraws gradually. If –even after that term– the Institute feels that the NGO can go further



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and evolve even more, it can consider continuing the support. After the exit, the Institute continues to support management on the Board.



RESULTS

In terms of impact measurement and indicators, the Institute carries out a case-by-case analysis and does not yet have a single measurement tool. It tracks indicators such as the number of students trained, absenteeism or employability rates, as well as monthly indicators of the NGO's management, such as funds raised, the objective, the number of visits, and new contacts made.

One of the initiatives supported by Instituto Carlyle was Centro Educacional Assistencial Profissionalizante (CEAP), an NGO founded in 1985 that acts as a vocational school. It offers extracurricular vocational training courses for youth between the ages of 10 and 18 who are enrolled in the education system.

In 2017, the NGO managed to raise BRL 3.2 million autonomously, surpassing the 2.75 million goal. With the support of Instituto Carlyle, 658 students joined the CEAP in 2016 and 800 in 2018. The social impact of this educational center is also perpetuated by the achievements of its alumni: 87% of them enroll in university after graduating from CEAP courses, and 66% enter the job market less than three months after graduating.

Another initiative supported by the Institute is the Associação Femenina de Estudos Sociais e Universitários (AFESU), a social organization created 55 years ago by volunteers who taught sewing and arts and crafts at Jardim Taboão, on the outskirts of São Paulo. In its three locations, girls and women aged 8 to 23 receive educational support and professional training free of charge with the help of 120 volunteers. Young women aged 17 to 23 are trained in Nursing, while the younger ones receive school support, through Portuguese, Mathematics, Computer Science, and Languages workshops. In both cases, the methodology is based on four pillars: family participation, ethical values, preceptorship, and meaningful learning.



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Today, the institution serves more than 650 girls, young and adult women, and has already had an impact on more than 2500 of them, with 92% of the former students currently studying or working. The Institute supported AFESU in the areas of sustainability, management, and governance through consulting and follow-up. In 2017, the partnership enabled investments in pedagogical support for the development of new courses and financial support in the areas of communications and marketing. That same year the goal for the two branches, in terms of autonomous fundraising, was surpassed. The goal was to collect BRL 380,000 (USD 96,322), and the result was 680,000 (USD 172,365). The NGO launched a process to create an endowment, to ensure the continuation of AFESU's assets in the future.



LEARNINGS AND PERSPECTIVES

Providing deep and tailored support is clearly a large-scale challenge. For this reason, the Institute argues that it is necessary for both NGOs and institutes to join forces in all the work that they carry out.

"We need more people doing the same we do. It does not make sense to have 50,000 institutes doing the same thing. Sometimes it is better to gather everything around one single institute."
Karina Blanck.

In addition to that, the Institute points out that, in terms of education, it is very difficult for philanthropy to reach a scale and dimension as those of the State.

"In the State of São Paulo, we have a budget of 28 billion reals, and there are 5000 schools. Imagine what managing that is like. Thousands of teachers. It is very difficult for philanthropy to replace the State." Karina Blanck.

In terms of learnings, five lessons may be highlighted:

1... Bringing together experience and capital

The Institute understands that financial support and technical support need to go together. Financial support alone will not help the organization structure itself and raise more funds, while technical support alone is also not enough to take the organization to the next level.

2... Support stability and perpetuity

The Institute argues that it is better to invest fewer resources, with technical support and for a longer period, than to provide a large volume, ambitiously, without support continuity. This continuity allows the organization to absorb all the support provided by the Institute, to structure itself and grow in a sustainable way.

3... Institutional investment and structuring of the NGO

Most of the philanthropic support is provided on an ad hoc basis, by project, year by year. The Institute believes in the importance of investing in management and equipment to improve the performance and impact of the supported organizations.

4... Relationship with supported organizations

It is necessary to be close to, visit, and understand the reality of the supported organizations. That close contact is essential to build personal relationships with the NGO's leadership, to analyze their willingness to receive support from the Institute, and to understand the reality of the NGO, as well as the best way to allocate the granted resources.

5... Simplicity and efficiency

The technical support provided seeks to improve the structure and management of NGOs in a simple and effective way.



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