

# From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America





Dear reader,

Latin America is a fascinating region given its rich cultural heritage and diverse people. Their generosity is well-known, with the concept of helping one's neighbor deeply set through a long history of charitable giving. With the emergence of more stable democracies and accumulation of personal wealth we see increasing interest from the region's wealthy individuals to engage in philanthropy and social investment given the dramatic changes over the past 50 years and the myriad challenges facing the region.

But literature on this subject is sparse, particularly when looking from a regional perspective. We therefore wanted to shed light on this increasingly important topic. What characterizes philanthropy in Latin America? What do philanthropists and social investors aspire to? Why do they give and to what causes? What are some of the perceived challenges and opportunities for the further development of philanthropy and social investment in the region? These were some of the questions we aimed to answer in this study.

At UBS, in order to be at the forefront of philanthropic thinking, we are committed to sharing the latest insights on trends and innovations. We are also dedicated to sharing our proprietary research pieces to advance the philanthropy sector. Therefore, answering these questions today is essential for us to continue to build the philanthropy and social investment sectors globally.

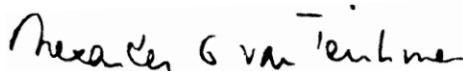
Our commitment to philanthropy in Latin America dates back to 2004, when we started providing our clients in the region dedicated philanthropic support. That same year we initiated the UBS Visionaris Social Entrepreneurship Award, through which we have supported leading social entrepreneurs in Argentina, Brazil and Mexico. In 2010, we organized a Global Philanthropy Forum in Mexico, where our clients from Latin America were exposed to global best practices in philanthropy. This research is the latest example of our continued commitment to philanthropy in the region.

This study was conducted in partnership with the Hauser Institute of Civil Society at Harvard University. Harvard brought not only its expertise and critical thinking about civil society but also a deep understanding of the regional context through the experience of the study team and the David Rockefeller Center for Latin American Studies.

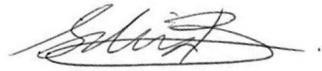
Our sincere gratitude goes also to all those who have contributed to this research and the many Latin American philanthropists, social investors and experts who have openly shared their philanthropic motivations, vision, activities and ambitions for the sector in Latin America.

We hope that our findings will further Latin American philanthropy and social investment towards more effective impact and encourage others to embark on this exciting journey. As José Martí once said, "*Ayudar al que lo necesita no sólo es parte del deber, sino de la felicidad*"<sup>1</sup>.

Yours sincerely,



Alexander G. van Tienhoven  
Head, UBS Wealth Management  
Latin America & Caribbean



Silvia Bastante de Unverhau  
Head, Philanthropy Advisory

<sup>1</sup> "Helping those in need is not only part of a duty, but of happiness"



DAVID ROCKEFELLER CENTER  
FOR LATIN AMERICAN STUDIES  
HARVARD UNIVERSITY

Dear Reader,

The discussion of philanthropy is of paramount importance in Latin America, and its practice is at a critical juncture, poised either to soar or to languish indefinitely. Beyond any inherent importance of “*giving back*” – a concept that may be more Anglo-Saxon or Northern-European than Latin – too many Latin Americans face intolerable levels of poverty, and we now find ourselves confronting a global trend in which the economic and social gaps between rich and poor continue to grow alarmingly. Those with the means to do so must help to correct these conditions.

In our individual countries, and region wide, we have witnessed immense economic growth and vast social improvements during our lifetimes, and many have benefitted significantly from these developments. However, we are now at a point where we have the opportunity, indeed the imperative, to convert a portion of private wealth to philanthropic capital and utilize it effectively to improve the quality of life for all of our citizens and to ensure that our countries continue on their courses of stability and prosperity.

**From Prosperity to Purpose: Perspectives on Philanthropy and Social Investment among Wealthy Individuals in Latin America** is a timely and seminal study. Traditionally, Latin American countries, especially those with customs that emerged from Mediterranean cultures, have a “charity begins and ends at home” focus. This study shows that philanthropic philosophy, purpose, and practice are broadening and evolving throughout the region and that many of the region’s wealthy individuals and families are generous, engaged, innovative, and committed to creating a future with opportunity for all.

Notwithstanding these promising developments, we are only beginning to scratch the surface of the philanthropic potential in our countries. This study illuminates a path forward to far greater impact. My sincerest wish is that it will be widely read and that its extensive and groundbreaking research and analysis will spur us in the region to engage in, advocate for, and commit to responsible and effective philanthropy for many years to come.

Most sincerely,

Tony Custer  
DRCLAS Advisory Committee Chair  
Founder, Fundación Custer, Peru

## Acknowledgements

The study team would like to acknowledge and thank the many philanthropists and social investors with whom we met in Argentina, Brazil, Chile, Colombia, Mexico, and Peru, without whose participation and insights this study would not have been possible. As a group, they exemplified generosity, ambition, commitment, ingenuity, and innovation. We are enormously grateful to them for their willingness to share their own philosophies and practices of philanthropy as well as their perceptions on the role of giving and social investment in their countries. Many of the individuals with whom we met are identified in this report, while many others chose to remain anonymous. Because of the wish for anonymity we do not include a list of individuals with whom we met, but we are deeply grateful to each and all of them for their time and participation.

We also thank the scores of individuals who responded to the online survey. Their perspectives were vital in illuminating philanthropic practices and trends and provided far greater insight into the region's philanthropic and social investments.

Additionally, we extend our sincere gratitude to the experts and professionals who shared their insights and experience with us. Many of these individuals and their organizations are spearheading the development of the philanthropic sector in their countries and their leadership is critical to the sector's growth, visibility, and impact. They include:

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## Study Leadership

This study was undertaken by researchers at the **Hauser Institute for Civil Society at Harvard University**. The Institute is a university-wide center for the study of civil society, nonprofit organizations, and philanthropic institutions. Housed within the Center for Public Leadership at the John F. Kennedy School of Government, the Hauser Institute seeks to expand understanding and accelerate critical thinking about civil society, its leaders and institutions among scholars, practitioners, policy makers and the general public by encouraging scholarship, developing curriculum, fostering mutual learning between academics and practitioners, and shaping policies that enhance the sector and its role in society. The Harvard Kennedy School maintains an abiding commitment to advancing the public interest by training skilled, enlightened leaders and solving public problems through world-class scholarship and active engagement with practitioners and decision makers.

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The views and analysis expressed in this report are those of the authors and do not necessarily reflect those of the Hauser Institute, the John F. Kennedy School of Government, or Harvard University. These views may or may not be aligned with those of UBS and its Chief Investment Office.

## Acronyms

CEO	Chief Executive Officer
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
G20	Group of Twenty
GDP	Gross Domestic Product
HNWI	High Net Worth Individual
IADB	Inter-American Development Bank
MDG	Millennium Development Goal
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
UHNWI	Ultra-High Net Worth Individual
UN	United Nations
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
WHO	World Health Organization
WINGS	Worldwide Initiatives for Grantmaker Support

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# Study Background and Introduction

*From Prosperity to Purpose: Perspectives on Philanthropy and Social Investment among Wealthy Individuals in Latin America* is an exploratory study of philanthropic giving and social investment among high net worth individuals and families in six Latin American countries (Argentina, Brazil, Chile, Colombia, Mexico, and Peru). Recognizing the increasing importance of private social investment in these countries, the study explores individuals' philanthropic motivations, aspirations, priorities, and practices; the political and cultural environment for philanthropic activity; and the challenges and opportunities for increasing philanthropic practice and impact.

Across Latin America, philanthropy and social investment are growing, gaining visibility, and having increased impact. After decades characterized by political instability, widespread violence, and soaring economic debt in many countries, the last three decades have given rise to more stable democracies, substantial economic growth, and significant social progress. This economic growth has resulted in considerable private wealth accumulation. Between 2004 and 2014 the number of individuals in Latin America characterized as extremely wealthy (those with a net worth of US\$30 million) expanded from fewer than 4,000 individuals to nearly 10,000, an increase of 161 percent compared to the global average of 61 percent over the same period.<sup>1</sup> Yet despite the region's political stability, economic gains, and new wealth, social and economic challenges persist, and governments in Latin America, like those in other regions of the world, are not able to meet the needs of all their citizens. Thus, wealthy individuals have become increasingly important actors in addressing economic and social development needs.

Clearly, the region's wealthy citizens have long exhibited a deeply-rooted charitable impulse to help others. But recent years have witnessed a marked and promising change in charitable giving: wealthy individuals and families are increasingly looking to give more, to give more strategically, and to have a greater impact with their social investments. Many aim to move from "*charity to change*," from "*economic success to social significance*," and from "*prosperity to purpose*."

Despite these encouraging trends there is relatively little known about philanthropy among Latin America's wealthy. Within most countries, understanding of philanthropic scope, practices, and impact is quite limited, and regional perspectives are almost non-existent. *From Prosperity to Purpose* was an initiative to advance the understanding – and ultimately the practice and impact – of philanthropy in Latin America by improving knowledge about these important actors and their social initiatives. The report examines key issues, includes philanthropic motivations, intent, and aspirations; philanthropic practices, platforms, and operations; challenges and obstacles to social investment; and the support, resources, and changes that may increase giving and strengthen its impact.

The research comprised in-depth interviews with 67 HNWIs and philanthropic leaders, and conversations with 25 experts and academic researchers with a sound knowledge and understanding of philanthropy and social investment in their countries. It also included an online survey completed by 81 respondents.

It is important to underscore that the study is not meant to provide a comprehensive picture of philanthropy among wealthy individuals and families in these countries; participants in this study cannot be assumed to be representative of a larger cohort of wealth holders. Those interviewed likely include some of the most prominent and committed philanthropists in their countries, at the forefront of social investment and innovation. While we recognize the cohort may not represent a majority, we are confident that there are many other similarly generous and impactful individuals in each of these countries that were not interviewed for this study.

The main body of the report includes an overview chapter and six individual country booklets. The overview provides a summary of the findings across the region and offers some comparative analysis. The country booklets provide far more detail on each country's philanthropic environment and the perspectives, practices, and priorities of its social investors. Inevitably, some country booklets have more information, examples, and data than others. This is not necessarily reflective of the philanthropic activity in a country, but a result of the interviews we were able to conduct and the extensiveness of existing literature and research.

While this study by no means provides a comprehensive picture of Latin American philanthropy, we hope it paints a useful portrait of the generosity, ambition, commitment, innovation, and impact of the region's philanthropists and social investors. We also hope that it may inspire others to become equally engaged in the social and economic future of their countries.

<sup>1</sup> Knight Frank Research, *The Wealth Report*, (London: Knight Frank LLP, 2015), 66,  
<http://www.knightfrank.com/resources/wealthreport2015/wealthpdf/03-wealth-report-global-wealth-chapter.pdf>

# Executive Summary

Latin America is a region of rich cultural heritage, abundant natural resources, tumultuous political histories, expanding economic strength, and great diversity among countries. Over the last 20 years the region has evolved markedly. Political stability and economic growth have generated improved conditions for a broad base of the region's population, helping many move out of poverty and resulting in notable social progress in areas such as health and education. Economic growth has also led to significant accumulation of private wealth, with the regional UHNW population increasing more than 2.5 times faster than the global average over the last decade.<sup>1</sup>

Yet significant economic disparities and social challenges persist. As a region Latin America has the highest inequality in the world, including 10 of the 15 most unequal countries.<sup>2</sup> Within individual countries, urban/rural, race, and ethnic divides are acute and in some countries levels of crime and violence remain high, often linked to illicit drug trade. Notwithstanding these disparities and challenges, or the obstacles to overcoming them, Latin America has embarked on a steady and promising path. Optimistically, political stability, equitable economic growth, and increased individual opportunity will continue to characterize the region's future.

Centuries of religious traditions, cultural norms, political histories, and economic conditions have shaped today's environment for private giving and social investment in Latin America. While the region's wealthy individuals have a long history of charitable giving, the relatively recent emergence of stable democracies, steady economic growth, and accumulation of personal wealth have provided a foundation for accelerated philanthropic activity. At the same time, cutbacks in government services, acute inequalities, and persistent poverty in some countries have underscored the need for private social investment to help address social and economic development.

This study describes the philanthropic environment and illuminates the important and inspirational social investments of wealthy individuals in six Latin American countries: Argentina, Brazil, Chile, Colombia, Mexico and Peru. It provides new insight into both the soul and practice of philanthropy in the region, and, optimistically, will help to encourage others to invest private philanthropic capital for the common public good.

# Key Learnings

## Philanthropic Priorities and Motivations

- 1. Philanthropy and social investment are driven by internal motivations and external influences.** Philanthropic giving is seen as a social and moral responsibility, intrinsically linked to family values and tenets of faith. Personal passions and experience often influence philanthropic priorities, and at the same time individuals are strongly motivated by a desire to contribute to the positive advancement of their respective countries. Individuals are committed to be among the builders of "stable," "just," "peaceful," and "first world" countries. For some, corporate goals and global practices of philanthropy and citizen action also influence giving.
- 2. Education is the most important focus area, followed by cultural and artistic heritage, health equity and community development.** There is a wide, ambitious, and inspiring range of philanthropic priorities and goals in the six countries. Many individuals seek to ensure that essential needs and services – such as quality education, adequate health care, and healthy child development – are equitably available to all. Some are committed to preserving and promoting the important cultural heritage of their countries. Others are place-oriented, seeking to improve the lives of individuals living in a specific community or region. There is a strong focus on children and youth and on people living in poverty.
- 3. Future priorities are different to the current areas being funded.** When asked to think about the most important future roles for philanthropy in society, there are strong similarities and noteworthy differences in comparison to current giving. Primary and secondary education, health, and community development remain top priorities. However, social entrepreneurship and globally-related issues, not a current focus for many, are seen as high priorities for the future.
- 4. Scope of philanthropy broadening from charity to change.** Historically, philanthropy has been narrowly defined in its issues and largely characterized by charitable acts. Reasons include the belief that government is responsible for public welfare, a limited recognition of the importance of individual civic engagement, and a general distrust of civil society. There is an evolving view that while charity is necessary, philanthropic giving can, and perhaps must, play an increasing role in effecting real and sustainable social change across a wide range of issues.
- 5. An outcome-based approach to social investment.** Much social investment is driven by a desire to achieve tangible, measurable outcomes. The approach often begins with the identification of the problems being addressed – inequalities in education, inadequacies of justice, or inequities in health services – and the outcomes sought. It generally comprises several key characteristics: it is driven by goals and targets; it recognizes that solutions may require multiple strategies; it acknowledges that formidable challenges require a long-term view; it recognizes that large-scale change often requires collaboration; and it includes a plan for assessing impact.

## Philanthropic Platforms and Strategies

6. **Institutional platforms for social investment are increasing.** It is generally assumed that individuals, not institutions, provide most philanthropy in Latin America and that giving often takes place in an anonymous or low profile manner. At the same time, the number of institutional philanthropic institutions is clearly increasing with individuals, families, and corporations seeking a more strategic approach, higher visibility, easier collaboration, and greater impact in their social investments. The vast majority of individuals interviewed for this study use an institutional structure for at least some of their social investments.
7. **Corporations perceived as leaders in social investment, but without clear distinction between corporate and family philanthropy.** There is a view in every country that corporate-affiliated giving dominates institutional philanthropy and that, looking forward, most philanthropic growth and leadership will continue to come from the corporate sector. In some countries there is a long history of corporate community investment and across the region there is a growing commitment to CSR. And importantly, there seems to be greater public acceptance of corporate, rather than individual, social investment. Yet in family-owned companies, philanthropic programs are often directed by the owners and may reflect both personal and corporate values and priorities.
8. **Foundation-operated programs most common.** Individuals and philanthropic institutions employ a mix of investment strategies, including foundation-operated programs, grantmaking to third-party organizations, scholarships, and – more rarely – equity investments and loans, with foundation-operated programs receiving the most funding. Reasons include a search for maximum impact, a widespread lack of confidence in civil society, and the search for personal fulfillment by engaging directly with communities and individuals.
9. **Complex attitudes toward civil society.** While there is clearly a lack of confidence in NGOs' capacity there are likely other significant factors limiting grantmaking. While some see the development and support of a vibrant civil society as a principal role for philanthropy, many do not. Additionally, in several Latin American countries, international efforts established and long supported significant parts of the civil society and they may still be seen as foreign initiatives. Further, a low level of societal trust is likely a significant deterrent to supporting NGOs. These issues notwithstanding, many individuals praised the work of individual NGOs and a few voices emphasized the importance of a strong civil society.
10. **Foundation funding received from a variety of sources.** Philanthropic institutions receive core funding from individuals, family members, and/or corporate profits, however endowments are not common. In most countries, there are few incentives for establishing an endowment and limited protection of assets. While philanthropic institutions receive substantial funding from the founder(s), many also seek funding from other sources.

## The Environment for Philanthropy and Social Investment

- 11. Perception of increased giving, despite a paucity of data.** The scale of philanthropy and social investment in Latin America is largely unknown and cannot be reasonably estimated. Giving is assumed to be on the rise, albeit not commensurate with the level of private wealth. Many countries in the region have relatively new democracies, peace, and economic growth and there is optimism that philanthropy and social investment are poised to increase. There is a widespread call for data to better understand and strengthen philanthropic activity.
- 12. Lack of regulation may result in innovative approaches.** In nearly all countries the policy and tax environment is viewed as restrictive and not favorable to the development of a robust philanthropic sector. However, views on the actual impact of the regulatory environment are diverse. Indeed, while legal ambiguities and narrow philanthropic precedents may inhibit the quantity of giving within countries, they may also allow social investors to think outside-the-box as they consider institutional models and strategies that can foster systemic social change.
- 13. Partnerships and collaborations seen as important but sometimes difficult.** Many social investors recognize the essentiality of partnerships for achieving their goals and believe that addressing large-scale and complex challenges requires donors to work together and with local, state, and federal governments. Others emphasize the importance of partnerships to scale-up impact. At the same time, some individuals stressed that it is difficult to create, manage, and sustain partnerships and that collaboration with the government, particularly at the regional and local level, can be difficult in part because of perceived corruption.
- 14. Impact investing growing across the region.** Impact investing, defined as investments made into companies, organizations, and funds with the intention of generating social and environmental impacts together with a financial return, is increasingly attractive to social investors in Latin America. Over the last decade the regional landscape has grown dramatically from two or three international players investing in the region to more than 50 organizations with hubs of activity in Bogotá, Mexico City, and São Paulo and committed capital of US\$2 billion by 2013.<sup>3</sup>
- 15. Infrastructure organizations support the development of philanthropy and social investment.** In several countries there are strong organizations that support philanthropy and social investment. Collectively these organizations provide a range of services, bringing together isolated philanthropic institutions and/or individuals, providing opportunities for peer-learning and encouraging collaboration. They are also critical to the development of the overall sector, advocating for a more favorable legal environment, developing and disseminating knowledge, and raising visibility of philanthropy's impact.

# Looking forward

This study highlights the philanthropic philosophies, purposes, and practices of many remarkable social investors. As a group, the individuals in this study are guided by strong family and faith-related values and a deep moral sense of social responsibility. While there is a rich range of philanthropic priorities and passions – including, most prominently, quality education, adequate health care, national culture, and secure livelihoods – at the core of most initiatives is a commitment to individual opportunity, social equity, and national development and prosperity.

In the absence of well-defined legal environments and local philanthropic precedents, philanthropists and social investors in Latin America often take an outcome-based approach to their giving and social investments. They are largely agnostic about specific methods, instead using a variety of philanthropic platforms and strategies to maximize the impact of their giving and social investments. And while the political and policy environment for philanthropy in most countries is not generally perceived as favorable, it has not been a barrier for this group of committed, engaged philanthropists. As a group they believe that there is an opportunity, indeed an imperative, to bring more philanthropic capital to bear on the challenges faced in their countries and to foster widespread improvement in human well-being.

It is important to underscore that participants in this study may not be representative of a larger cohort of wealth holders. Despite the actions, engagement, and optimism of this remarkable group of individuals, there is also a strong belief that there are significant obstacles that hinder a broader group of wealthy individuals from becoming more active and that limit the overall impact of private social investment in their countries. While some obstacles differ among the countries, there is a cluster of challenges that seems to be quite constant in the region. Key among them are uncertainty about the roles and impact of philanthropy, a limited sense of social cohesion and solidarity, an unfavorable tax and policy environment, and a lack of confidence in the nonprofit sector.

Demonstrable impact may be the keystone to regional philanthropic growth. It could help to change perceptions about philanthropic roles, persuade both governments and the public of the value of philanthropy and social investment, and lead to positive changes at the policy and implementation levels. Moreover, such evidence is what could very well persuade more wealthy individuals to convert some portion of their wealth into philanthropic capital. In addition, efforts that build the capacity of and trust in nonprofit organizations could help to increase philanthropy among individuals who would prefer to support the impactful efforts of others rather than operating their own programs.

Impressive examples of social impact across a breadth of issues do exist, yet it appears that people are largely unaware of existing activities and their impact. There is a need for more visibility and communication, and also for better evaluative techniques and metrics to assess the success of philanthropic programs and projects. In addition to individual examples of impact there is a critical need to better understand the overall scope and impact of the philanthropic sector in each country and across the region.

Notwithstanding the recognized challenges to philanthropic growth and impact, many individuals are cautiously optimistic about the future of social investment and philanthropy in their countries. Many participants displayed genuine optimism that the growth of stable democracy, economic prosperity, and personal wealth will be accompanied by the growth of social cohesion, collective responsibility, and institutional trust. In many respects, changing long-held beliefs, attitudes, and behaviors has a generational timeline. Many who participated in this study were optimistic about the likelihood of greater social investment and engagement both from their own, but especially the next, generation. With time and encouragement, many anticipate that private philanthropy will flourish.

<sup>1</sup> Knight Frank Research, *The Wealth Report*, (London: Knight Frank LLP, 2015), 66, <http://www.knightfrank.com/resources/wealthreport2015/wealthpdf/03-wealth-report-global-wealth-chapter.pdf>

<sup>2</sup> "About Latin America and the Caribbean," UNDP, <http://www.latinamerica.undp.org/content/blac/en/home/regioninfo>

<sup>3</sup> Andre Leme, Fernando Martins and Kusi Hornberger, "The state of impact investing in Latin America," Bain & Company, November 21, 2014, <http://www.bain.com/publications/articles/the-state-of-impact-investing-in-latin-america.aspx>

# Regional Overview

# Latin America: The Regional Context for Philanthropy and Social Investment

Latin America is a region of rich cultural heritage, abundant natural resources, tumultuous political histories, and expanding economic strength. With a population of more than 588 million and an economy of US\$5.657 trillion, Latin America is a significant player on the global stage.<sup>1</sup> While the region has experienced unprecedented growth after challenging periods of economic decline and political turmoil, recent growth has slowed to an estimated 0.8 percent regionally,<sup>2</sup> although rates in the six countries in this study are notably higher, ranging from 1.1 percent to 5.8 percent annually.<sup>3</sup>

The last 50 years have witnessed dramatic change throughout the region. Particularly in the late 1970s and 1980s (in an era known as “*the lost decade*”), periods of profound political instability, violence, and soaring economic debt plagued much of Latin America. This unfortunate combination in turn contributed to regional decline, widespread poverty, and instability. Many countries experienced internal conflict and human rights violations from a combination of guerilla groups, authoritarian regimes, and military forces. This volatility has had lasting effects in countries such as Colombia, which continues to seek peace between its government, paramilitaries, and left-wing guerilla groups, and Mexico, which continues to struggle with violent drug cartels, despite other significant advancements. Throughout the 1980s and 1990s, democracy was gradually restored across the region, setting the stage for increased economic growth and enhanced social welfare.

Since the 1990s, Latin America has witnessed vast political, economic, and social improvements that have contributed to the region’s overall development and global importance. Following the debt crisis of the 1980s, Latin America sought to regain economic control and movement toward free-market economies coupled with debt relief and fiscal reform set many countries on a path toward stability. Within just a few decades, countries such as Brazil and Mexico have become global economic powerhouses, and now rank as the world’s seventh and fifteenth largest economies, respectively.<sup>4</sup> Both Chile and Mexico have joined the OECD and Argentina, Brazil, and Mexico are members of the G20.

Strengthened economies generated improved conditions for a broad base of Latin America’s population, helping many move out of poverty and resulting in notable improvements in social indicators such as health and education. According to a 2014 UN report on the MDGs, the region’s infant mortality rate dramatically decreased from 54 to 19 per 1,000 live births between 1990 and 2012. During the same period, average enrollment in primary education rose from 87 percent to 94 percent, although dropout rates have concomitantly risen. In 2012, girls’ enrollment in secondary and higher education exceeded that of boys, leading all developing country regions and surpassing MDG targets for 2015.<sup>5</sup> A report from the World Bank revealed that in 2011, for the first time in Latin America’s history, there were more people living in the middle class (on US\$10–50/day) than in poverty (on less than US\$4/day), with the middle class representing about one-third of the region’s population. This is particularly noteworthy because only a decade ago the population of those living in poverty was 2.5 times greater than those in the middle class.<sup>6</sup> The population living in extreme poverty (on less than US\$2/day) has plunged from 22.6 percent in 1990 to 9.3 percent in 2011, which has largely been attributed to job creation and rising employment.<sup>7</sup> Official unemployment rates in Latin America stood at 6.5 percent in 2012,<sup>8</sup> although there is significant unreported unemployment and underemployment.

Latin America's economic growth is reflected in the region's private wealth accumulation. The Wealth Report found that the region's UHNWI population, defined as individuals with a net worth of US\$30 million or more, expanded from fewer than 4,000 individuals in 2004 to nearly 10,000 in 2014, an increase of 161 percent compared to the global average of 61 percent over the same period.<sup>9</sup> In 2014, the annual Forbes billionaires list included 114 Latin Americans with a combined wealth of US\$440 billion. Of this number, Mexico's telecommunications entrepreneur Carlos Slim represented US\$72 billion and ranked second in wealth only to Microsoft founder and global philanthropist Bill Gates. Brazil led the region with 65 billionaires, followed by Mexico with 16 and Chile with 11.<sup>10</sup>

While economic growth has widely benefitted those living in Latin America, significant disparities persist. The Gini index, a measure of income inequality where 0 signifies perfect equality and 100 is perfect inequality, has shown steady declines in inequality across the region, but Latin America's is still the highest regionally in the world. According to the UNDP, 10 of the 15 most unequal countries in the world are in Latin America.<sup>11</sup> In 1996, Latin America had a Gini index of 58; it has since declined to 52 in 2011 and 2012.<sup>12</sup> This measure varies notably among countries in the region (see Figure 1 for data on study countries).

In addition, various obstacles across Latin America and in country-specific contexts hinder economic growth and social progress. While in most Latin American countries, educational access, enrollment, and completion rates have increased, the quality of education, as reflected in lower international standardized test scores, is a widespread concern, with completion rates remaining unacceptable.<sup>13</sup> In addition, the UN has labeled crime and violence in Latin America as "epidemic," with a homicide rate higher than 10 per 100,000 inhabitants, with violent crime highly concentrated and often linked to the illicit drug trade.<sup>14</sup>

Notwithstanding the region's significant economic and social disparities and the obstacles to overcoming them, Latin America has embarked on a steady and promising path over the past two decades. Optimistically, political stability, economic growth with equity, and increased individual opportunity will continue to characterize the region's future.

**Figure 1: Country Data**

	Argentina	Brazil	Chile	Colombia	Mexico	Peru
<b>Economic Indicators</b>						
<b>Population</b> (in millions, 2013)	41.45	200.4	17.62	48.32	122.3	30.38
<b>GDP</b> (US\$, 2013)	\$ 609.9 billion	\$ 2.246 trillion	\$ 277.2 billion	\$ 378.1 billion	\$ 1.261 trillion	\$ 202.3 billion
<b>GDP per Capita</b> (US\$, 2013)	\$ 14,715	\$ 11,208	\$ 15,732	\$ 7,831	\$ 10,307	\$ 6,662
<b>Annual GDP Growth</b> (2013)	3.0%	2.3%	4.1%	4.3%	1.1%	5.8%
<b>Unemployment</b> (national estimate, 2012)	7.2%	6.9%	6.4%	10.4%	4.9%	4.0%
<b>Gini Index</b> (varies)	43.6 (2011)	52.7 (2012)	50.8 (2011)	53.5 (2012)	48.1 (2012)	45.3 (2012)
<b>UNDP Human Development Index</b> (2013, x of 187)	0.81	0.74	0.82	0.71	0.76	0.74
<b>Social Progress Index</b> (2013, x of 132)	49 <sup>th</sup>	79 <sup>th</sup>	41 <sup>st</sup>	98 <sup>th</sup>	71 <sup>st</sup>	82 <sup>nd</sup>
<b>Poverty Headcount Ratio at US\$4/day</b> (% of pop, 2011)	11.6%	23.8%	9.9%	32.8%	23.7% (2010)	25.8%
<b>Poverty Headcount Ratio at US\$2/day</b> (% of pop, 2011)	1.4%	8.2%	1.9%	11.3%	4.5% (2010)	8.7%
<b>Social Indicators</b>						



Mexico

**122.3 million**

Population



Colombia

**48.32 million**

Population



Peru

**30.38 million**

Population



Brazil

**200.4 million**

Population



Chile

**17.62 million**

Population



Argentina

**41.45 million**

Population

# The Regional Environment for Philanthropy and Social Investment

Centuries of religious traditions, cultural norms, political histories, and economic conditions have shaped today's environment for private giving and social investment in Latin America. While the region's wealthy individuals have a long history of (often faith-based) charitable giving, the relatively recent emergence of stable democracies, steady economic growth, and accumulation of personal wealth have provided a foundation for accelerated philanthropic activity. At the same time, cutbacks in government services, acute inequalities, and persistent poverty in some countries have underscored the need for private social investment to help address countries' social and economic development needs. While the political, cultural, and economic environments present some obstacles to philanthropic practice and growth, there is optimism in some countries that the environment for private giving is evolving and improving. Several noteworthy features and trends regarding the philanthropic landscape are discussed below.

## **Perception of Increased Giving despite Limited Data**

At the outset it is important to emphasize that the scale of philanthropy and social investment in Latin America is largely unknown and cannot be reasonably estimated. Yet most people interviewed believe giving to be on the rise, albeit at a relatively slow pace in some countries and not commensurate with the level of private wealth in any of the countries. In particular, individuals in Brazil, Colombia, and Mexico were generally optimistic about the trajectory of philanthropic growth, especially in the corporate sector and among the younger generation. Interviews in Argentina, Chile, and Peru revealed less optimism; many individuals in these countries perceived philanthropy and social investing to be nominal at best (particularly in comparison to levels of wealth), sporadic, and/or conducted in a low profile manner that only contributed to the perception of limited giving.

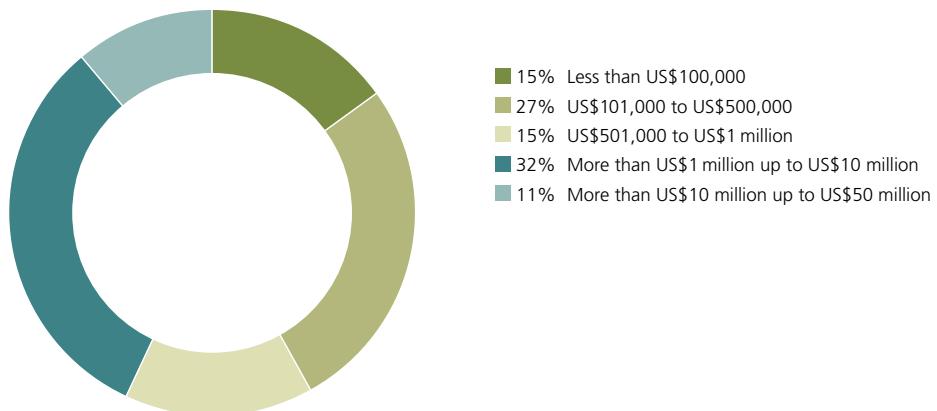
Moreover, limited data presents a substantial challenge to the understanding and promotion of philanthropy in Latin American countries. In several countries, neither governments nor private organizations collect or share information on giving, while cultural traditions and political sensitivities often inhibit the voluntary sharing of such information. In addition, given the different methodologies and time frames of available studies, existing data is not comparable across countries.

Fortunately, several organizations in the region are addressing this knowledge gap. Philanthropic membership organizations, academic centers, and other nonprofit organizations in Brazil and Mexico have collected important philanthropic data and there is a new initiative in Colombia to do so (for detail on specific studies see individual country chapters). However, leaders of these efforts are the first to point out that the studies are not comprehensive and underestimate overall giving. In particular, information on corporate giving is more widely available than data on independent institutional or individual giving. There is much less current data for Argentina, Chile and Peru. Predictably, data collection across the countries correlates closely with the existence of organizations or initiatives that promote and support philanthropy. Regrettably, none of the national studies are linked or provide comparable data. On the other hand, it is promising to note that there is an emerging initiative to develop more comprehensive, current, and comparable data in the region.

In this study's survey sample, the average annual amount of individual philanthropic giving over the past five years ranged from less than US\$100,000 to between US\$10 million and US\$50 million.

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**Figure 2: Average Annual Philanthropic Giving for Last Five Years**  
(% of respondents, n=62)



The level of giving appears to be relatively low when compared to private wealth in the region. However, 63% of survey participants indicated that their giving was likely to increase over the next three years, which is reason for optimism.

### Faith-Based Traditions Have Shaped Giving

Long-standing and deeply held traditions of faith-based giving have shaped philanthropy throughout Latin America. The conquest and subsequent colonization of much of Latin America by the Spanish introduced Catholicism to the indigenous populations and today approximately 70 percent of the region's population self-identify as Catholic.<sup>15</sup> Under colonial rule, and throughout the early 20<sup>th</sup> century in many countries, the Catholic Church provided the vast majority of social welfare services, including education, health, and care for the elderly, frequently establishing new institutions (e.g., hospitals, schools, and religious associations) to provide these services. The Church and its related institutions were the primary beneficiaries of charitable giving, with wealthy families and individuals supporting them through *obras pías* (pious works or individual donations) and bequests.<sup>16</sup> In some cases, wealthy families of faith established their own entities to conduct charitable activities related to those of the Church.

These traditions have influenced giving for more than three centuries. While the Church is no longer the principal provider of welfare services and giving priorities have broadly expanded, wealthy families in all six countries appear to continue to provide support to the Church and faith-driven social organizations. Indeed, some experts believe that faith-based giving continues to comprise a significant portion of giving in the region, particularly by individuals.<sup>17</sup> While it is possible that this could be accurate, it did not appear to be the case among this study's cohort, who did not often cite the influence of religion on current giving.

Unique in the region, Argentina has a substantial Jewish population, with immigration dating back to the 16<sup>th</sup> century when Jews expelled from Spain settled in the country. The country has the largest Jewish population of any country in Latin America, and Buenos Aires has the fourth largest Jewish community of any major city in the world.<sup>18</sup> Among this community, faith-based giving is also prominent, with many contributions supporting synagogues and Jewish organizations that undertake charitable efforts.

It is also important to recognize that much faith-based giving is practiced anonymously; indeed both the Catholic and Jewish faiths emphasize the virtue of anonymous acts of charity. Study participants in all countries tended to acknowledge their faith-oriented giving, but preferred not to discuss it with any specificity.

### **Evolving Perceptions of Philanthropic Roles**

Together with the positive perception of philanthropic growth in the region there is optimism that the scope and roles of philanthropy are also evolving, albeit slowly in some countries. Historically, the role of philanthropic giving across the region has been narrowly defined. While the reasons are complex, some of the key issues include the belief that government bears the responsibility for social development and the provision of public services; a limited recognition of the importance or consequences of individual civic engagement; and a general distrust of the nonprofit sector. Despite these barriers, many individuals believe that each of these views is changing, and that philanthropic giving in the region is poised to take on increasingly diverse and important roles.

For philanthropy and social investing to truly flourish and have real impact in Latin America, governments and society must embrace a strong and vibrant role for the nonprofit sector and promote the legitimate scope of private action. In this study, one of the most oft-cited barriers to philanthropy was the long-standing perception, held by both governments and the public, that the role of philanthropy and civil society should be narrowly defined. Speaking broadly, the principal reason for this appears to be a strongly held view that it is the government's responsibility to provide social services, address societal challenges, and generally provide for the welfare of its citizens. There is also the sense that, through its promulgation of policies, government should mitigate serious national inequalities. Furthermore, people believe that, because they already pay taxes, they should not need to contribute to public roles through philanthropy as well.

While these views were expressed in all six countries, they were most pronounced in Argentina and Peru. In Argentina, several people emphasized that the government does not accept a strong role for philanthropy and civil society. In contrast in Colombia and Brazil the governments appear to have a growing appreciation for the role of social investment and to some extent even encourage the engagement of philanthropic institutions and private citizens in addressing national concerns.

Closely linked with the view that government bears the responsibility for social development and welfare, there has historically been a limited recognition of the importance or consequences of individual civic engagement. Study participants in all countries spoke strongly of the need for a more developed sense of community, solidarity, and social responsibility that could lead to a stronger role for philanthropic action.

Finally, elements of distrust may reinforce perceptions that the role of philanthropy should be limited. In each country, again with variations, there is some lack of trust in philanthropic institutions and the broader nonprofit sector. As a result of scandals, some have come to view philanthropic institutions as methods for avoiding taxes, seeking political gain, or moving money out of the country. Such suspicions are fuelled by the lack of transparency in philanthropic and nonprofit organizations, as well as a lack of understanding and information about the activities and contributions of individual organizations and the sector as a whole. As described in later sections, there are a number of efforts underway to increase transparency in the nonprofit sector.

In some countries the lack of trust is more pervasive, extending beyond the nonprofit sector to a more general, omnipresent wariness of most institutions. While rarely studied, there may be a correlation between the level of trust in a country and the role of philanthropy. The level of societal trust is described by renowned economist William Easterly as the extent to which an individual trusts strangers, i.e., those beyond one's extended family, close community, or clan.<sup>19</sup> By extension, in a low-trust society that is characterized by trust for only family and friends, philanthropic support for institutions and initiatives led by strangers will presumably be limited.

Nonetheless, there is cautious optimism that these perceptions – about government roles, solidarity and citizenship, and institutional trust – are changing. In particular, several individuals emphasized that many countries in the region have relatively new democracies, peace, and economic stability, and that stronger and more diverse roles for social responsibility will likely emerge over time.

**Many economically successful individuals expressed a desire to move from *economic success to social significance*, from generating profit to finding purpose, from giving charity to investing in change.**

### **Charity and Social Investment Co-exist**

Perhaps the most important shift in perception is the evolving view that philanthropic giving can, and perhaps must, play an increasing role in effecting real and sustainable social change in Latin America.

There is a strong distinction between charity and social investing in Latin America. Indeed, among many interviewed for this study, there was a sense that the two practices co-exist but have little in common. For reasons discussed previously – including faith-based traditions, perceptions regarding sector roles, and government policies – much of the region’s giving continues to be of a charitable nature. However there is a movement toward more strategic giving aimed at achieving significant and sustainable social impact. As illustrated in the section on *Philanthropic Priorities and Purposes*, the philanthropic activities and institutions of many study participants illuminate this exciting growth.

Charity describes contributions – either direct to individuals or to service-providing organizations – that help those in need and generally aim to alleviate immediate suffering. The majority of individuals interviewed, including those with significant social investments, indicated that charity was compassionate, necessary, and should remain an important philanthropic practice. Most suggested that they made charitable contributions, often anonymously, and preferred not to discuss these gifts during this study’s interviews. Some individuals had a less positive view of charitable giving, suggesting that such giving maintains and reinforces economic and social inequities.

Social investment has no commonly accepted definition but there was general agreement about its principal characteristics. The term is used to refer to investments of resources – financial, social, and personal – that address systemic problems and create positive, lasting, and measurable change. As described in the section on *Philanthropic Motivations and Influences*, social investment is often driven by a moral imperative to address vast social and economic inequities.<sup>20</sup> Many economically successful individuals expressed a desire to move from economic success to social significance, from generating profit to finding purpose, from giving to charity to investing in change. Social investing is strongly associated with the work of institutions rather than individuals, and a majority of those interviewed had established institutional platforms for that portion of their giving that they considered as social investments.

The word “*philanthropy*” is interpreted in many different ways, even within an individual country. For some, it is synonymous with charity. For others, it is closely associated with social investment, often with a qualifier (e.g., modern philanthropy, strategic philanthropy). For still others, perhaps most notably in Brazil, the word has a negative connotation due to past corruption in the sector. In this study, the word is used in its more positive and aspirational construct.

***Social investment* refers to investments of capital – financial, intellectual, and social – to address systemic problems and create positive, lasting and measurable change.**

Among the study countries, the concept of social investment was strongest in Colombia and Brazil. This correlates with other sector attributes, such as a greater number of philanthropic institutions, the presence of a supportive infrastructure, and more acceptance of an expanded role for philanthropy and the nonprofit sector. Many individuals emphasized that while the philanthropic sector itself is small, the work undertaken by the institutions is in large part professional, strategic, and impactful. While excellent examples of social investment can be found in all countries, interviewees in other countries did not describe the same sense of a growing commitment to social investment.

### **Corporate Foundations often Leaders in Social Investment**

There is a view in every country that corporate-affiliated giving dominates the institutional philanthropic sector. Moreover, there is general agreement that most philanthropic growth will take place in the corporate sector and that corporations will likely provide philanthropic leadership in the foreseeable future. Although this study focuses on philanthropy and social investment, it is widely acknowledged that the distinction between private and corporate giving in all the study countries is imprecise. In family-owned companies, corporate giving is commonly directed by the owners and very often reflects the personal values and priorities of the family. Indeed, in this study there was not always consensus as to whether a specific foundation should be classified as a corporate or family endeavor. As such, corporate giving is an important avenue of giving among the region's wealthy individuals.

There are several reasons for corporate leadership of the sector. First, it is important to recognize that some companies (and the families that own them) have a long history of social investment in the communities in which they operate. Second, in many countries there is a strong and growing commitment to CSR, including social investment. Increasingly, corporate leaders see CSR as both a sound business strategy and a responsibility to give back. In Brazil and Peru, and perhaps other countries, nonprofit organizations have also put pressure on businesses, particularly in the extraction industries, to address the social and environmental impact of their operations. Third, in some countries corporations receive more favorable tax incentives for giving than do independent foundations or individuals. In Peru, the Work for Taxes Law allows corporations to invest in public works, such as building or improving schools and hospitals, and to recover the investment from its income tax. And finally, there are some mandatory requirements, sometimes referred to as environmental compensation, that require some corporations to implement actions, including the donation of funds, focused on mitigating the environmental and social impacts of their activities.

It is also important to acknowledge that there are important challenges that may arise from a philanthropic sector overly weighted towards corporate giving. First, it could restrict philanthropic impact in terms of both geographical scope and the issues addressed. Generally, corporate social investment occurs in the geographical areas in which a company operates and often focuses on issues, such as education and training, which are relevant to the company; but corporate giving may not support an area such as human rights, which is not seen as directly related to corporate health. Second, most corporations operate their own philanthropic programs rather than providing support to nonprofit organizations. Consequently, support for civil society is, and is likely to remain, limited. Additional questions may include the ability of corporations to truly scale up the impact of their social investments and their ability to assume risk. Certainly, these issues regarding the philanthropic scope of corporate programs do not diminish the laudable achievements of corporate-based philanthropy throughout the region; rather, they raise important questions when the philanthropic sector is not balanced between corporate and independent giving.

### **Policy and Regulatory Environment in Need of Development**

The fairly low levels of political support for private philanthropy are reflected in governments' legal and tax policies. While the scope of this study did not include a full analysis of the countries' policy environment, it appears that in all countries, with important variations, the policy environment is generally perceived as restrictive and limiting to private giving and generally not favorable to the development of a more robust philanthropic sector. Beyond these general perceptions there are, however, widely divergent views on the actual impact of the regulatory environment on giving. Among those interviewed, most indicated that legal policies do not affect their own giving, and among survey participants, only 16 percent indicated the regulatory environment as a key challenge to their personal giving; however 41 percent said that an improved regulatory and tax environment would motivate them to give more. While many people believed that legal and tax policies were a major impediment to increasing overall giving in their country, others emphasized that most people do not take advantage of the limited incentives that are available, concluding that the policy environment was not a key challenge to more widespread giving. Among survey respondents, 38 percent felt that an improved regulatory and tax environment would motivate others to give more.

The key policy obstacles to philanthropy were relatively consistent across countries, although more pervasive in some than others. The policy challenges that were most often mentioned included the difficulties associated with establishing a philanthropic foundation, the creation and protection of endowments, the limitations of tax incentives, and strict inheritance laws.

It can be bureaucratically difficult to establish and operate a philanthropic institution. In most countries there is no legal distinction between foundations and other types of nonprofit organizations. Because legal organizational structures were not designed with consideration for the uniqueness of a philanthropic institution there can be uncertainty with respect to such issues as permissible activities, tax treatment, and allowable partnerships. Such ambiguity can be a disincentive to creating philanthropic organizations.<sup>21</sup> Furthermore, in many countries there are restrictions on the creation and protection of endowments, including monetary limitations, investment policies, and control and distribution of assets. Endowment concerns were emphasized strongly by participants from Brazil, where there is an effort underway to create a new Endowment Fund Law, which would encourage and protect the establishment of endowments across the philanthropic and nonprofit sectors. Experts in Colombia report that the federal government has exhibited increased interest in philanthropy in recent years and that it is fairly quick and relatively inexpensive to establish a philanthropic institution. However, while national legislation is straightforward, local and municipal laws can be more difficult.

There are some tax incentives for private charitable giving in all six countries. Interviews in Colombia and Mexico suggested that the tax environment is improving. However, there was consensus that tax incentives could be improved in all countries. One of the principal issues is the relatively low cap on the percentage of income available for deductions. Another related challenge is the fact that donations are limited to certain areas (e.g., education, arts and culture, and sports) and specific populations (e.g., children and youth, or people with disabilities). In addition, in several countries, inheritance laws mandate that the vast majority of assets be given to direct relatives, thus greatly limiting the opportunity for philanthropic endeavors as part of estate planning.

In Brazil, Colombia, Mexico, and Peru it was noted that corruption related to philanthropic giving in the past has brought about a limit on incentives and an increase in scrutiny and oversight. While the extent of the corruption may be unknown, the perception has tainted philanthropy and presents a challenge to developing a more favorable policy environment.

There is limited evidence from other parts of the world that a favorable tax environment correlates with increased philanthropic giving. There is, however, general agreement that in countries with particularly limiting and restrictive legal and tax structures, systematic efforts to improve the legal environment will help to encourage more philanthropy. Moreover, it is likely that a demonstrated willingness on the part of governments to enter into discussions about creating a more enabling regulatory and tax environment signals an acceptance of the importance of philanthropy and civil society in that country.

### **Growing Infrastructure to Support Philanthropic Growth and Practice**

Looking across the region there are several strong organizations and platforms that support giving and social investment and these organizations have a critical role in professionalizing and promoting philanthropy. Collectively these organizations provide a range of resources and services. They bring together philanthropic institutions and/or individuals that are otherwise quite isolated and provide opportunities for peer-learning, sharing of experience and best practices, and potential collaboration. Some organizations also provide individualized support with strategic planning and program development. Moreover, such support organizations are critical to the development of the overall sector. They advocate for a more favorable legal environment, raise the visibility of philanthropic programs and their impacts, and help to develop the knowledge base around the roles of philanthropy in their countries.

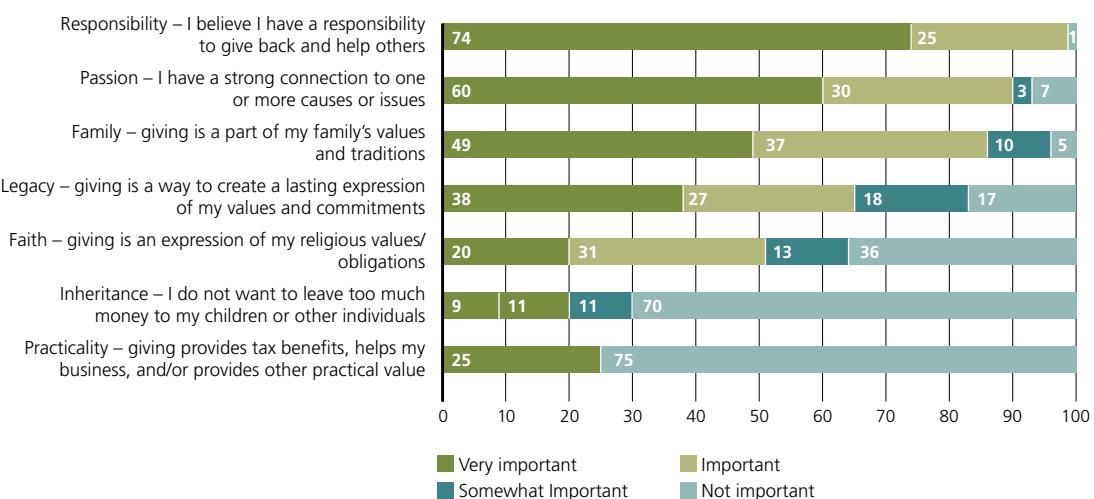
Not surprisingly, the breadth and collective strength of these organizations correlate closely with perceived levels of philanthropy in the countries. In Brazil, Mexico, and Colombia there are several strong organizations with a variety of missions and services; in Argentina, Chile, and Peru there is a less well developed infrastructure. Naturally, the strength of all of these organizations can differ widely across countries; more detailed discussion appears in each of the country chapters.

In addition to these national efforts, there are a growing number of international or global efforts that support and encourage philanthropy and social investment within some of the study countries. *Worldwide Initiatives for Grantmaker Support (WINGS)*, a global network of grantmaker associations and philanthropic support organizations with a mission to promote philanthropy and social investment throughout the world, is headquartered in São Paulo. *Synergos*' Global Philanthropists Circle, a network of philanthropic families from across the world that is committed to fighting poverty and social injustice, has offices in Mexico and Brazil. The Silicon Valley-based *Global Philanthropy Forum* helped to launch the *Brazilian Philanthropy Forum*, which in 2014 brought together more than 300 domestic and international philanthropists and experts. And *Nexus*, a movement of young social investors and entrepreneurs working to increase and improve philanthropy and social investment, has a presence in Brazil and Mexico and recently initiated its Global Campaign for a Culture of Philanthropy, which is designed to promote and establish effective giving practices around the world.

# Philanthropic Motivations and Influences

In Latin America, as around the world, philanthropy and social investing are highly personal practices that reflect both internal motivations and external influences. In this study, almost without exception, respondents viewed philanthropic giving as a social and moral responsibility and this appears to be true regardless of age, gender, national or ethnic origin, faith, or the source of wealth. The strong sense of social and moral responsibility seems to be based largely on and intrinsically linked to family values and traditions and tenets of faith. External factors further shape philanthropic priorities and practices. In particular, study participants expressed a strong desire to contribute to the positive advancement of their respective countries (or sometimes regions). For some, corporate goals, and global practices of giving and citizen action also influence giving. Together these internal motivations and external influences create an axis of purpose that underpins philanthropic and social investment goals and practices.

**Figure 3: Philanthropic Motivations and Influences**  
(% of respondents, n varies between 44 and 72)



## A Strong Sense of Social Responsibility

Across the study countries there is a strong sense of social responsibility that motivates individuals to engage in philanthropy and social investing. In a region where poverty persists and severe economic disparities and social inequities continue to pervade society, many described their giving as an expression of moral obligation, social consciousness, or civic duty. Among the survey respondents, nearly 100 percent indicated that "*a responsibility to give back and help others*" was either an important or very important motivation for their philanthropy; more influential than any other factor. This motivation was almost universal among respondents and across countries.

**For many giving is an expression of moral obligation, social consciousness, or civic duty motivated by a responsibility to give back and help others.**

For some very wealthy individuals who inherited fortunes, a sense of guilt or a question of “*why me?*” motivates them to help others who are far less fortunate. Several individuals – including both those who inherited and those who created their wealth – described themselves as a steward rather than owner of their wealth.

A number of interviews suggested that the sense of social responsibility is particularly apparent and growing among the younger generation. Some acknowledged the role of schools, which have incorporated social elements such as volunteering into their curricula, in shaping this consciousness. Others believed that increased communication and mobility has helped bring social problems and inequalities to light, thereby instilling the sense of broader community and understanding, which in turn prompts social action and investment. Still others viewed philanthropy as a tool to foster social consciousness in their children. Parents particularly expressed concern that growing up economically advantaged could isolate their children and future generations from social realities. Thus they thought that involving the next generation in social investing would help instill the obligation to give back, as well as a stronger sense of community.

#### **Giving Reflects and Reinforces Family Values**

Family values, passions, and traditions greatly influence individuals’ philanthropic engagement and preferences. Across the study countries virtually all those interviewed described the profound influence of their families on both their propensity to give and the nature of their giving, and approximately 85 percent of respondents indicated that family was either an important or very important motivator. Family influence can manifest itself in several ways. For many, the act of giving is a demonstration of family values that focus on helping those in need as well as helping create a better world for all. It is an expression of the maxim, “*to whom much has been given, much is expected.*” These values were often inculcated by strong role models; many of those interviewed described parents, grandparents, and other relatives as a beacon that inspired their own philanthropic activities. Across countries, virtually all interviewees shared a story about family members who were active volunteers, involved in charity, or philanthropically inclined in some way. Individuals identified these examples as intrinsic to developing their own desire to give and they described philanthropy as a tool to reinforce and pass on values to their children and to contribute to the creation of a better world in the future.

Philanthropy can also be a way to honor or establish a family legacy. In fact, a number of foundations were named after an individual’s parents or family. For some individuals, their families had espoused a social cause or particular region for decades, and current philanthropic activity and social investments were direct reflections of this long-standing dedication. Although the importance of legacy was vocalized often in individual interviews, it was more moderately influential among survey respondents, where approximately 65 percent of respondents rated legacy as either important or very important.

Many individuals also described philanthropy as a means of reinforcing family bonds. This was common in cases where a family-business was sold or when younger generations were no longer involved in a family company. In these instances, philanthropy – often institutionalized through a foundation or family-wide giving mechanism – creates another kind of opportunity to bring the family together. However, this view was not shared by all. Some saw philanthropy as having the potential to create discord and preferred to approach giving individually or with a professional (non-family) team.

### **Personal Passions Guide Giving**

Passion is often cited as the catalyst in shaping one's philanthropy, sparking engagement in a specific issue, and guiding priorities. Close to 90 percent of survey respondents identified "*a strong connection to one or more causes or issues*" as a key motivation for their philanthropic activities.

For some individuals, passion can be what initially ignites philanthropy. For others with a long history of giving such passion can focus and guide their giving priorities and purposes. Many of those interviewed recalled a personal or inspirational experience that ignited a passion, which subsequently focused their philanthropy and social investing. This combination of heart and mind has supported the rehabilitation of vulnerable populations in Brazil. It has also brought specialized attention to learning disabilities in Peru, provided greater access to the arts in Chile, and launched countless other projects around Latin America.

### **Faith-based Values Internalized**

As examined earlier, religion and faith were historically embedded in Latin American philanthropy and continue to influence some individual giving. Certain values such as piety, charity, solidarity, and obligation, are shared across many religions, and contribute to the motivation to give. However, many interviewees indicated that they had internalized these tenets and viewed them as family and personal values rather than a mandate or religious doctrine. In fact, more than one-third of survey respondents indicated that faith was not important in motivating them to give.

### **National Pride and Development Emerging as Important Motives**

Recent economic and social improvements across Latin America have generated a sense of optimism for the future growth and stability of the region. This growing but cautious confidence has inspired increasing interest and activities in the philanthropic and social investing sectors as a way to personally contribute to a country's development. There is a clear desire among many to be among the builders of what some interviewees noted as "*stable*," "*just*," "*peaceful*," and "*first world*" countries. Although this was not a listed option in this study's survey, several respondents wrote in motivations that included "*empowering the next generation of Brazilians*" and "*contributing to the social growth of my country*."

Among the interviewees, individuals expressed the view that those with the capacity and resources to address these challenges should be compelled to act out of both moral obligation and national interests. Some felt the immense disparities between the wealthy and those in need were a social injustice and sought "*a fairer world*." Others felt that inequality may contribute to instability, and act as a tinder box for internal disorder. By reducing inequity and improving social well-being for a broader base, individuals thought their country would have greater potential to remain peaceful, stable, and economically sound. This sentiment was particularly strong in Brazil, which has enjoyed immense economic growth but still faces significant social inequities and high levels of poverty. In Colombia, interviewees noted that while the country has come a long way in terms of economic and personal security, the potential for achieving a lasting peace agreement provides hope for even greater progress and advancement. Peruvians also exhibited a strong commitment to both national development and national identity, often supporting educational initiatives that were viewed as critical to national development and heritage programs that protect and promote Peru's unique cultural identity.

### **Philanthropic Activity can Align with Corporate Goals**

Although less prominent than the motivations listed above, corporate goals and incentives are also influential in giving. As explained earlier, while this study focuses on private giving, in practice, there is not always a clear distinction between family and corporate philanthropy. While institutionalized giving may take place under the company name or draw from business profits, it is often directed by the family and reflective of family values and priorities. Several individuals discussed aligning their philanthropy, at least in part, with the corporate goals of their family-owned company. Individuals also noted that the public has growing expectations of the role of businesses and the private sector in contributing to sustainability and social well-being. Some individuals also opined that philanthropy could provide a competitive advantage by increasing the positive image of the company with employees, the communities where the business operates, and the general public.

**Many social investors are motivated to be among the builders of a “stable,” “just,” “peaceful,” and “first world” country.**

Two of the most highly respected, long-established foundations in Colombia, cited repeatedly for exemplary work, are corporate-based, family-run entities. Interestingly, although there is significant corporate giving in Brazil, corporate goals were rarely cited as a motivating factor. In Peru and Mexico, there was consensus that the corporate sector would develop more rapidly than individual giving, in part due to increasing pressure from consumers and the general public, as well as the likelihood that it would create a competitive advantage in quickly globalizing national economies. Others across Latin America found that social investment was a natural extension of a company's values, a tool for building a better brand, or a means to improve employee engagement and community development in the areas where the company operates.

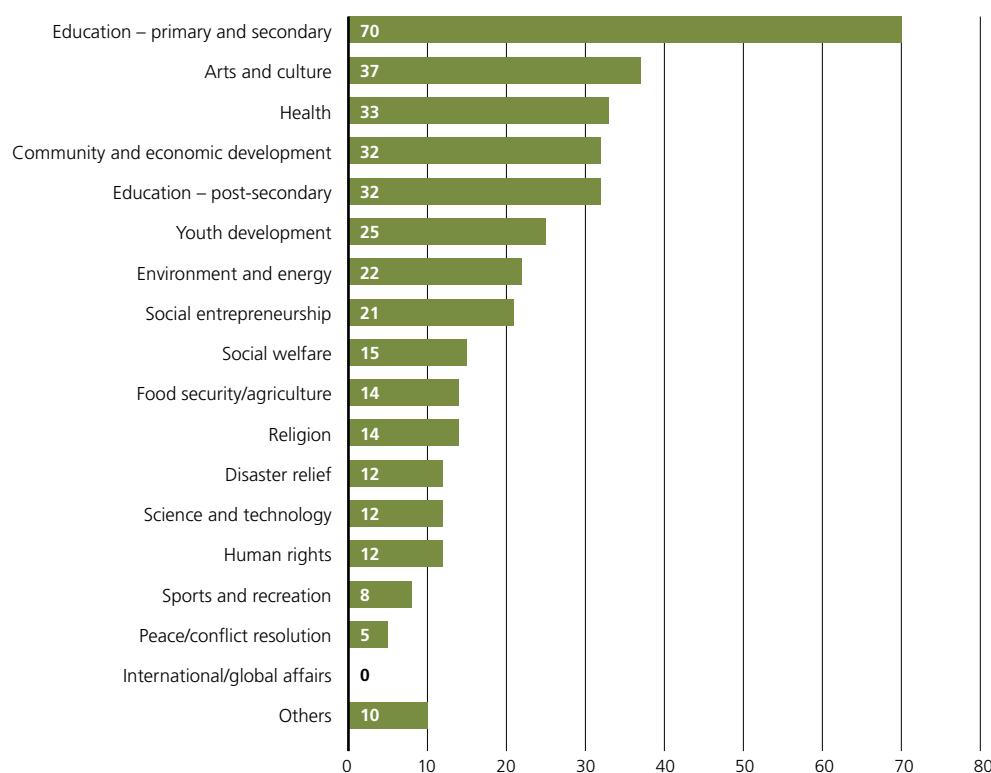
### **Global Practices Influence Philanthropy**

A significant number of individuals highlighted the influence of exposure to concepts of philanthropy, volunteerism, social engagement, and citizenship in other countries. Several individuals who had spent time studying and/or living outside of their country, particularly in the United States, described how the experience shaped their own thinking around philanthropy and private action. They also noted that their peers were often socially engaged, civically active, and philanthropically inclined. In addition, some individuals referred to their involvement in global philanthropic initiatives through which they interacted with and were influenced by philanthropists from around the globe. Likewise, corporate leaders operating in a global economy cited their exposure to the philanthropic programs of numerous global companies.

# Philanthropic Priorities and Purposes

Philanthropic individuals and institutions in the six countries exhibit a wide, inspiring, and ambitious range of philanthropic priorities and goals. Many seek to ensure that essential needs and services – such as quality education, adequate health care, and healthy child development – are equitably available to all. The priorities of others are geographically-oriented, seeking to improve the lives of individuals living in a specific community or region. Still others are focused on preserving, cultivating, and promoting the unique cultural heritage of their countries.

**Figure 4: Individual Philanthropic Priorities**  
(% of respondents, n=73)

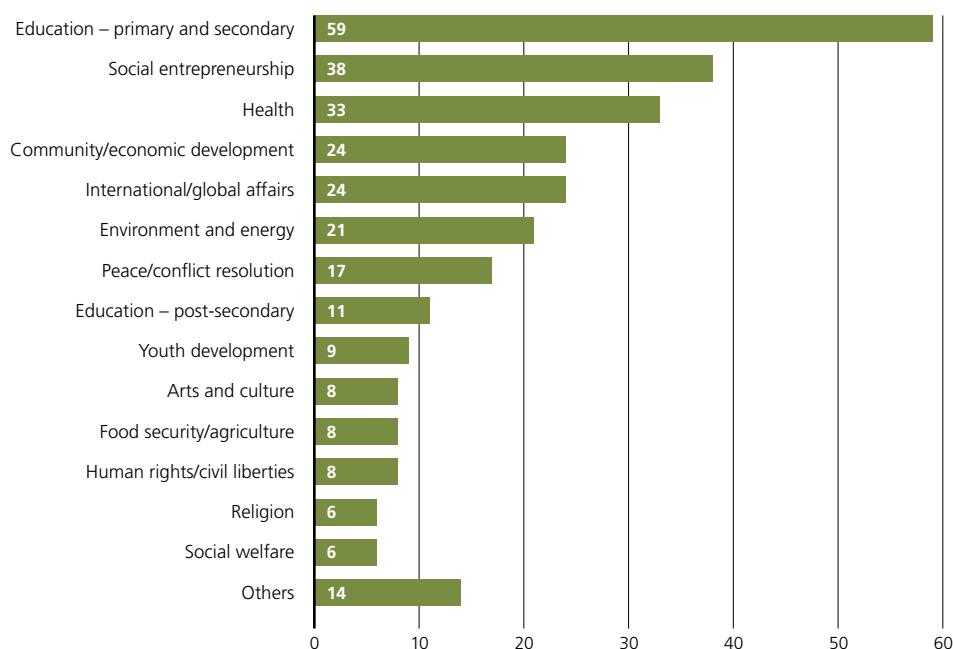


While the breadth of priorities and purposes is rich and diverse, the highest priorities for this group of philanthropists and social investors cluster into a fairly narrow set of issues. Within and across countries, the top priority by far is the improvement of primary and secondary education. Among survey respondents, 70 percent pointed to education as their top priority, and among individual interviewees a majority described their commitment to addressing educational challenges in their countries. Among survey participants, over half said that their giving was highly focused, concentrating on a narrow set of issues and or geographical areas; an additional 38 percent described their giving as somewhat focused, concentrating on a limited set of issues and/or geographical areas.

The second highest priority among survey respondents was arts and culture, which 37 percent of respondents selected. Again, many of those interviewed also described their focus on the preservation and promotion of culture, arts, and national heritage. The next three highest priorities among survey respondents were health care (33%); community and economic development (32%); and post-secondary education (also 32%); as illustrated in the discussion below, these, too, were all among the most significant priorities for those interviewed in the countries.

Survey participants were also asked to identify the issues they believed should be the top areas for giving over the next five years.

**Figure 5: Priorities for Philanthropy in the Next Five Years**  
(% of respondents, n=66)

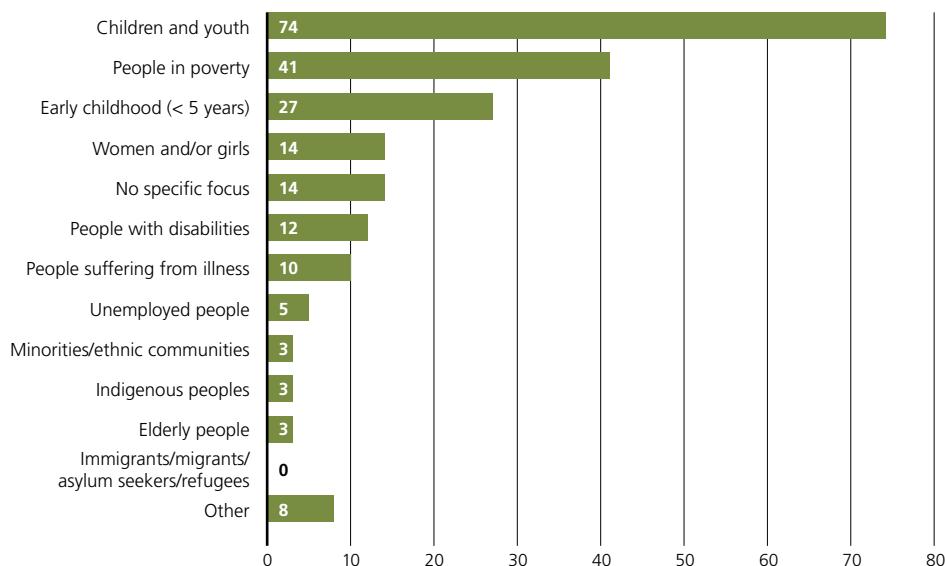


Individuals' own current giving priorities and their perceptions of what issues philanthropy should prioritize are generally similar, with some interesting and noteworthy differences. Primary and secondary education is a top priority for the future, although for 59 percent rather than 70 percent of respondents. Social entrepreneurship, which is not among the respondents' top five current priorities, is the second highest priority for philanthropy in the future, cited by 38 percent of the respondents. Health and community development both remain among the top five priorities. Arts and culture and post-secondary education are no longer among the top five; notably arts and culture is currently being supported by 37 percent of respondents, but only 8 percent believe it should be a top priority for philanthropy in the future. While no respondents indicated they were currently giving to global-related issues, 24 percent believed that should be a top priority over the next half-decade.

Interestingly, while much has been written about the strong historic traditions of giving to faith-based institutions, and while individuals in this survey indicated that faith was an important motivation for giving, less than 15 percent of survey respondents indicated that religion was a personal philanthropic priority, and less than 10 percent believed it should be a priority for philanthropy in the future.

In terms of the populations supported, study participants focus strongly on children and youth, as well as people living in poverty. Among survey participants, 74 percent focus on children and youth and 27 percent focus on early childhood. Among the same cohort, 41 percent focus on people living in poverty. Similarly, among the individuals interviewed there was a strong focus on both children and youth and the economically disadvantaged. While the survey did not seek information on the correlation between the age groups and economic concerns, it is likely that there is strong overlap, with a particular concern for children living in poverty.

**Figure 6: Intended Beneficiaries of Philanthropic Support**  
(% of respondents, n=73)



#### **Education Key to Individual Opportunity and National Prosperity**

As already indicated, providing philanthropy to improve primary and secondary education systems is the clear top priority among this group of individuals. The focus likely reflects an assessment of the education system deficits in each country together with the acknowledgment of the long-term impact of education on both individual well-being and national prosperity. There is rigorous research and widespread recognition of the importance of education to individual attainment, well-being and national development. As one individual succinctly said, *“Education is transformative.”* Particularly for disadvantaged youth, high-quality education is an essential building block to economic opportunity. At the same time, a well-educated population is an engine for national economic growth and prosperity.

Individuals interviewed for this study are creating, supporting, and/or operating numerous educational programs and interventions at the primary, secondary, and tertiary levels, as well as early childhood initiatives. They include efforts at the policy, institutional, and individual levels of education. Several also look globally to identify and support the development of educational innovations and technologies that can be brought to bear on national educational systems. A key theme among most the initiatives is the desire to provide quality education to disadvantaged or marginalized youth, who currently lack educational opportunity.

**“Education is *transformative*,  
for the individual, the family,  
and the country.”**

Brazil

**“All of our problems in Mexico –  
*violence, social exclusion,  
environment, etc.* – come back  
to lack of education.”**

Mexico

**“What three issues should be  
top priorities for philanthropy?  
*Education, education, and  
education.*”**

Brazil

**“We are focused on early  
childhood because ultimately  
we aspire to figure out how  
to develop ‘*the leader of  
tomorrow*’.”**

Chile

#### *Education for the Underserved*

A number of social investors operate or support programs that specifically seek to bring quality education to the disadvantaged or underserved. In Colombia, for example, the *Fundación Luker (Luker Foundation)* adapted an innovative program designed for migrant workers' children to schools in the city of Manizales. An independent evaluator found that the innovative Urban Active Schools curriculum, which is used now in almost 40 percent of Manizales' public schools, has enabled its students to surpass the reading, math, and science test scores of their peers, not only locally, but nationally. In Argentina, an innovative partnership between the *Fundación Bunge y Born (Bunge y Born Foundation)* and *Fundación Perez Companc (Perez Companc Foundation)* addresses systemic challenges facing rural students and educators. In Peru, the *Fundación Custer (Custer Foundation)* aims to ensure quality education for children who are challenged by both learning disabilities and poor household.

#### *Building and Improving Educational Institutions*

Institution building assumes that there is an unmet demand for educational opportunity, created either by an inadequate number of institutions or the poor quality of existing ones. Individuals interviewed across Latin America believe that educational institutions in their countries are either not providing the necessary education and skills for the 21<sup>st</sup> century or are in fundamental need of reform and improvement, and they are investing significantly in both the creation of new institutions and the improvement of existing ones.

In interviews in Argentina, tertiary institution building was particularly prevalent. For example, Guillermo Murchison started *Universidad San Andrés (San Andrés University)* 25 years ago to provide education that emphasized values, as well as social work that would graduate empathic and principled professionals. And the *Fundación Agustín y Enrique Rocca (Rocca Foundation)*, perceiving a critical gap in quality technical education, has begun an ambitious program to establish seven technical schools in seven countries. Another important example of institutional building is occurring in Peru, where a group of private individuals and institutions have recently spearheaded the creation of *La Universidad de Ingeniería y Tecnología (University of Engineering and Technology or UTEC)*, a new private university dedicated to providing world-class engineering education to Peruvians and to building the workforce that will drive Peru's continued economic growth.

In Brazil many philanthropists and social investors seek to improve existing institutions, most often focusing on public primary and secondary schools. The *Instituto Ayrton Senna (Ayrton Senna Institute)* focuses resolutely on decreasing educational inequalities and is exploring ways to adopt a private sector mentality around scale and innovation to Brazil's public education system. And the *Fundação Victor Civita (Civita Foundation)*, now 30 years old, has been building institutional capacity by developing the capabilities of elementary school teachers and administrators.

#### *Innovation for Education*

Some philanthropic investments seek to improve educational access and quality through the identification, support, and dissemination of educational innovations, including the development of new technologies, materials, and teaching models. In Brazil, the *Instituto Inspire (Inspire Institute)* concentrates on innovation and entrepreneurship that will improve the quality of the country's education. It has created *Iniciativas Empreendedoras (Entrepreneurial Initiatives)* to promote and accelerate social businesses that are developing innovative solutions that expand educational opportunities, especially for those at the bottom of the social pyramid. Also in Brazil, the *Fundação Lemann (Lemann Foundation)* has championed technology-based educational innovations, with funding for the Portuguese translation of Khan Academy lectures (a virtual platform providing free educational videos to a global audience), which now reach some 10,000 Brazilian public school children. It also has entered into a partnership with Google Brazil and YouTube Edu to develop and deliver over 12,000 educational video lessons to Brazilian students.

### *Creating Individual Opportunity*

A number of individuals and foundations also focus their educational priorities on individual students, providing scholarships for individual advancement. Indeed, over 40 percent of survey respondents indicated that they provided some kind of scholarships. In addition, individuals in Peru, Chile, Colombia, and Mexico all spoke of their enthusiasm and support for Lumni, Inc., a social investment fund that provides flexible educational funding for low and very-low income students, who are most often the first family members to attend college. Instead of providing a scholarship or loan, Lumni provides an educational investment in exchange for the student's commitment to pay a fixed percentage of income for 10 years after graduation. Thus, the student's obligation is completed after 120 months regardless of the total sum paid. By setting it up in this fashion, the student is not overly burdened by debt. Several people commented that this funding model is attractive to business-oriented individuals.

### *Early Childhood Development*

Giving young children a head start via early childhood education, health care provision, and related opportunities is an important focus of a number of foundations. For example, Brazil's *Fundação Maria Cecília Souto Vidigal* (*Maria Cecilia Souto Vidigal Foundation* or FMCSV) has been operating for 40 years, and in the last decade has focused its efforts on ensuring that children from conception to six years of age have a good start to life. Through the *Primeiríssima Infância* (Early Childhood) program, FMCSV has helped more than 40,000 children in 13 cities and has developed a very rigorous diagnostic system that includes more than 50 indicators of quality of services. In Chile, the von Appen family's *Fundación Educacional Choshuenco* (*Choshuenco Educational Foundation*) has supported early childhood education and adapted an innovative early education model to 20 kindergartens across the country.

### **Preserving the Region's Cultural and Artistic Heritage**

Latin America is a region with a rich and diverse cultural history, and citizens of all countries are understandably proud of their nation's cultural wealth, both past and present. Culture is also recognized as an important part of the economic health of many countries, with tourism often an important industry. In this study's interviews, individuals spoke of a strong sense of pride in their nation's unique history and the sites and monuments that memorialize it, as well as the countries' artistic and culinary achievements. Coupled with this pride was a concern that cultural sites and traditions might be lost or fail to flourish without private support – especially since most governments do not have the resources to significantly protect or promote cultural heritage or current artistic endeavors.

**“The national pride in our culture is a strong force. *We need to save this heritage. Without a conscious effort to protect it, it will disappear.*”**

Peru

### *Preservation of Cultural Heritage Sites*

Philanthropists in Peru and Mexico have been instrumental in restoring and preserving the countries' rich cultural heritage. Since 1990, *Fundación Wiese* (*Wiese Foundation*) in Peru has engaged in a major initiative to recover and preserve the archaeological legacy of Peru. With initial work in El Brujo, an ancient settlement and ceremonial center of the Moche culture, the Foundation is now working in partnership with other private and public institutions on an ambitious ten-year program to develop a much larger Moche Route, which will showcase the cultural attractions of northern Peru. Importantly, the preservation effort is being undertaken with a commitment to ensure that local communities will benefit from tourism. In Mexico, José Antonio Alonso Espinosa, a board member of the *Fundación Amparo* (*Amparo Foundation*) and grandson of its founder, oversees the restoration of hundreds of pre-Hispanic and historic monuments. The Foundation has also helped to create one of the most important historical museums – *Museo Amparo* – in Mexico.

### *Modern Culture and Arts*

Philanthropists and social investors in several countries also support the growth of modern culture and arts. Several examples come from Chile. The Schiess family created *Teatro del Lago* (*Theater of the Lake*), a cultural and educational community venue focused on improving creativity and community development through the arts. Likewise, the *Fundación Ibáñez-Atkinson* (*Ibáñez-Atkinson Foundation*) supports a variety of artistic programs and is planning to launch *Música Educa* (Music Educates) to integrate music into the curriculum of resource-poor schools. And the *Fundación Gabriel y Mary Mustakis* (*Mustakis Foundation*), and its chairman of the board, George Anastassiou, has used the family's Greek background to creatively employ Greek mythology to foster creative thinking through history, stories, and art. In Colombia, Solita Cohen de Mishaan recently created the *MISOL Fundación para las Artes* (*MISOL Foundation for the Arts*) to support established and emerging artists and to make Latin American art more accessible nationally, regionally, and globally. Additionally, a small group of philanthropists promoted and founded the Popular Art Museum in Mexico City, which is housed in an Art Deco building provided by the Mexico City Government.

In Peru, individuals are encouraging and promoting Peru's culinary culture, which has become an integral part of the country's cultural identity. In 2007 chef Gastón Acurio and a group of Peruvians created *Sociedad Peruana de Gastronomía* (*Peruvian Gastronomic Society* or *APEGA*) to promote Peruvian cuisine, strengthen the country's cultural identity, and contribute to the prosperity of the nation. It is well known for its annual event, *Mistura*, a two-week long food festival that attracts over 600,000 people. Interestingly, *APEGA* also hopes to link Peru's culinary culture with its heritage sites through an Adopt-a-Terrace program that will help to re-cultivate 4,000 year old Andean mountain terraces.

### **Promoting Health Equity**

Health, like education, is viewed by many as both a basic human right and a fundamental cornerstone of national progress and prosperity. However, in many countries vast health disparities persist, and preventable diseases, especially those associated with poverty, go unchecked. An individual's overall health is closely tied to other socioeconomic factors including level of education, income, gender, and ethnicity. Health care costs can drain household resources, and can also adversely impact society and national progress through lost productivity, among other factors.

In addition, there is a general belief across study countries that it is the government's responsibility to ensure both educational opportunity and health care for all citizens. However, confronted by entrenched health care challenges, philanthropists and social investors in Latin America are addressing these needs in innovative ways and with measurable impact.

For example, individuals in Colombia and Mexico have made critical contributions to infant and child health. In Colombia, Catalina Escobar founded the *Fundación Juan Felipe Gómez Escobar* (*Juan Felipe Gómez Escobar Foundation* or *Juan Fe Foundation*) to focus in particular on reducing infant mortality and improving pre- and neo-natal care in Cartagena, the city with the highest infant mortality rate in all of South America. The Foundation went on to establish a neonatal intensive care unit and, as a result, according to a 2014 summary, the infant mortality rate at the maternity clinic decreased by 65 percent. In Mexico, one foundation has focused on children's health and provides equipment and other support to three children's hospitals.

In Argentina, families have been involved in improving quality of life through the work of their foundations in the health care sector. The *Fundación Mundo Sano* (*Healthy World Foundation* or *Mundo Sano*), founded by Drs. Roberto and Miriam Gold and led by their daughter Silvia Gold, works to prevent and control parasitic and other transmittable diseases including dengue fever and malaria, which disproportionately affect poor and vulnerable populations. As part of their efforts, the Foundation is engaged in a global partnership with the Gates Foundation, the World Bank, and the WHO that is focused on controlling neglected diseases. And the *Perez Companc Foundation* and its family members have provided substantial financial backing for the health care sector, including the establishment of a medical school, a children's hospital, a neurologic institute, and the first trauma system in Argentina.

In Mexico and Chile there are philanthropies supporting care for curable eye diseases. The individual and socio-economic returns on these interventions can be immense. Not only are individuals able to regain their vision, but they can also work productively. In Mexico, over the past five years the *Fundación Cinépolis* (*Cinépolis Foundation*) has performed over 24,000 surgeries for the rural poor. In Chile, *La Fundación Oftalmológica Los Andes* (*Ophthalmological Foundation of the Andes*) – started by Nicolás Hurtado Vicuña and Santiago Ibáñez Langlois – has provided pro bono services to more than 45,000 patients.

#### **An Integrated Community Development Approach**

While many individuals and social investors focus on a specific issue, others invest in community development programs that integrate a variety of interrelated interventions. Several individuals cited “greater impact” as the reason for focusing on programs that were more holistic in nature – including education, health, poverty alleviation, and income generation, among others. In addition, as discussed below, many participants who lead corporations felt a moral responsibility to take care of both their individual employees and the communities in which their operations took place. A community-based approach was particularly prevalent in Colombia.

Colombia’s *Carvajal Foundation* is a strong example of a foundation that has taken an integrated approach to bettering the lives of those who live in the community in which it started, i.e., in Cali and surrounding rural areas. The recipient of numerous awards, the Foundation serves as a beacon and role model for other Colombian and Latin American philanthropic organizations, according to study participants. *Carvajal* focuses on four complementary areas – income generation, education, housing, and social development – and since 1961 its programs have provided services to over 42,000 people.

Another family foundation in Colombia, *Fundación Granitos de Paz* (*Seeds of Peace Foundation*), works to improve the quality of life in the Rafael Núñez barrio in Cartagena – where some 13,000 people live in extreme poverty – through programs in education, housing, sports, and economic development.

**“We wanted people to believe that change is possible if we act collectively. We made the decision to go to El Salado and make a laboratory of peace to help reconstruct the social fabric of El Salado.”**

Colombia

**“[We work to break the vicious circle of great social problems... The youth are strategic to boosting the country’s development and disadvantaged women are pivotal in the fight against extreme poverty.”**

Mexico

*Fundación Semana* (*Semana Foundation*) is another important foundation that has used a unique community approach to foster peace and reconciliation in Colombia. Spurred by the horrific El Salado massacre of 2000, which decimated the whole community, the Foundation has worked to build “a laboratory of peace to help reconstruct the social fabric of El Salado.” Combining its efforts with *Carvajal*, the *Semana Foundation* has blended real and cultural needs in rebuilding infrastructure, health services, and economic opportunity with emotional healing and community redevelopment.

In Peru, Joaquín de la Piedra created the nonprofit *Kusimayo* (a Quechua phrase meaning Happy River), which aims to solve a multiplicity of interconnected problems in the poor and underserved Lake Titicaca region. For example, *Kusimayo* is attacking numerous challenges by providing breakfasts in pre-school programs, improving living conditions at a hospice for the elderly, introducing new technologies to small-scale farmers, and renovating homes to provide better living conditions through advanced and cost-effective heating and insulation methodologies.

The *Fundación Sertull* (*Sertull Foundation*) in Mexico is another institution for which breaking “the vicious circle of great social problems” is paramount. Their integrated approach addresses education, health, livelihoods, culture, rights, the promotion of Christian humanism, and temporary assistance. The Foundation hopes to focus on helping children, women, and rural communities, which are perceived as populations critical to combatting extreme poverty.

### **Addressing the Needs of Vulnerable Populations**

While the majority of examples provided above focus for the most part on providing better opportunities for poor and disadvantaged populations, there were examples of some social investments that specifically sought to help the most marginalized members of society for whom social justice has traditionally been far out of reach. As such, these examples are commendable for their work with “forgotten” populations.

In Chile, *Fundación Colunga (Colunga Foundation)* is dedicated to assisting highly neglected sub-populations such as female drug addicts and prison populations. In Brazil, Filipe Sabara founded the *Associação de Resgate à Cidadania por Amor à Humanidade (Association for the Rescue of Citizenship through Affection towards Humanity or ARCAH)* to address the needs of people with mental illness, drug addictions, and homelessness through health services, rehabilitation, and housing assistance. Another Brazilian foundation, *Instituto Betty e A. Jacob Lafer (Lafer Institute)*, seeks to ensure that those who are incarcerated in the nation’s prisons will receive fairness in its justice system.

# Philanthropic Platforms and Strategies

As indicated elsewhere in this report, while there is no comprehensive data on philanthropic giving and social investment in Latin America, it is widely assumed that the vast majority of giving is provided by individuals rather than institutions. Such giving often takes place in an anonymous or low profile fashion that is motivated by religious tenets, cultural traditions, and personal security concerns. Among study participants, 39 percent indicated that they generally give anonymously.

At the same time, there is agreement that an increasing amount of philanthropy and social investment flows through institutional platforms. Thus, individuals, families, and business leaders who wish to structure, focus, and professionalize their giving are increasingly seeking more formalized mechanisms through which to do so. In particular, those with a social investment approach, who seek to create systemic and sustainable social change, appear to favor an organized philanthropic platform and structure to achieve their goals and maximize impact.

Along with the creation of such institutional platforms, individuals employ a variety of philanthropic strategies. While the conversations about philanthropic investment instruments is sometimes reduced to limited questions about grantmaking or operating approaches, the interviews in Latin America suggest that there is a broader and less siloed approach to social investments. As described more fully below, many of the individuals and social investors in this study demonstrate an outcome-based approach to philanthropy that often leads them to employ multiple approaches to achieve their goals.

**Legal ambiguities and narrow philanthropic precedents may allow social investors to think *outside-the-box* as they consider institutional models and strategies that can foster systemic social change.**

**A growing number of wealth holders have established institutional platforms to *focus, practice, and amplify* their goals.**

Although the legal environment, charitable traditions, and public opinion have certainly limited the region's social investment, this study's interviews suggest there is significant creativity and innovation in the sector and that many individuals have committed substantial financial, intellectual, and social capital to address critical challenges. Indeed, it is possible that while legal ambiguities and narrow philanthropic precedents may inhibit the quantity of giving within countries, they may also allow social investors to think outside-the-box as they consider institutional models and strategies that can foster systemic social change.

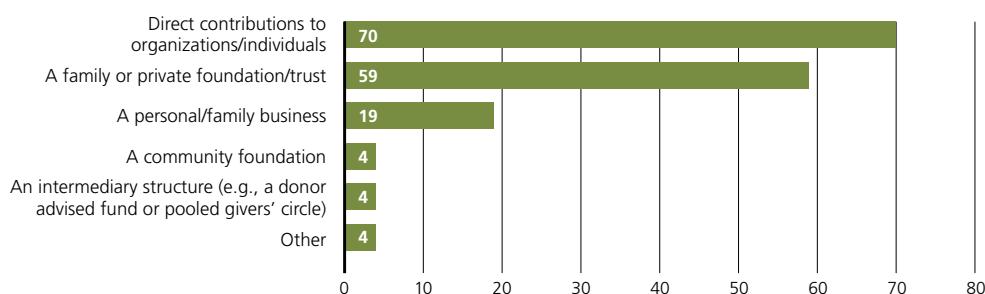
## **Institutional Platforms Increasing and Becoming More Professional**

A growing number of wealth holders have established institutional platforms to focus, practice, and amplify their goals. Their motivations include an understanding that institutions can: encourage a more strategic approach; have higher visibility; serve as role models for others; facilitate easier collaboration; and, in sum, have greater impact on the economic and social challenges they seek to address.

Though few countries have a separate legal entity for a philanthropic institution or foundation with its own source of funding, the vast majority of individuals interviewed practiced at least part of their giving through a philanthropic institution established by themselves, their family, or a family-led corporation. There is often strong family involvement in the organization, with individuals not only committing financial resources, but social and intellectual capital as well.

As discussed elsewhere, most participants believed that corporate-related foundations generally dominate institutional philanthropy in the region and are likely to continue to do so. The limited data available in these countries supports this hypothesis; in Brazil, Colombia, Mexico, and Peru, research has identified more corporate-related than independent foundations. Interestingly, this was not the case among this study's interviewees; many had established independent family-based foundations. Similarly, 59 percent of survey respondents structured their giving, at least in part, through a family or private foundation/trust, while only 19 percent used a corporate-related structure. In addition, family offices are beginning to proliferate in some countries and at times are used to structure a family's philanthropic activities.

**Figure 7: Organizational Structures for Philanthropic Giving**  
(% of responses, n=69)



An outcome-driven approach to social investment comprises several key characteristics: it is *driven by goals and targets*; it recognizes that solutions will likely *require multiple interrelated strategies*; it acknowledges that formidable challenges require a *long-term view and commitment*; it recognizes that large-scale change often requires *collaboration and partnership*; it includes a *clear plan for assessing impact*; and it also includes contributions of *social and intellectual capital*, in addition to a *significant financial commitment*.

A few individuals use a combination of platforms to achieve their objectives. For example, in Brazil, Ana Lucia Villela has established three separate institutions, including an endowed nonprofit that operates its own programs, a foundation dedicated exclusively to grantmaking, and a social enterprise.

Along with the increase in the number of institutional bases, philanthropic organizations are becoming more professional. Many of those interviewed described how in recent years their foundations had intentionally developed a more strategic focus and professional approach. This often includes the introduction of operational efficiencies, sometimes involves bringing in a professional to lead the foundation, and increasingly directs attention to demonstrable impact and measurable results. Among survey participants, close to 80 percent indicated that they quite frequently followed up on grants to determine whether their support had the intended outcome.

#### **An Outcome-Based Approach to Social Investment**

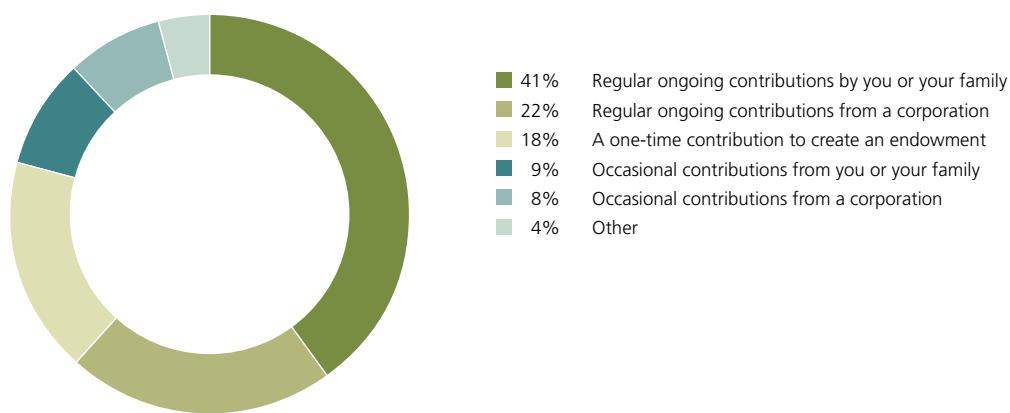
A number of those interviewed said that they employed an outcome-driven approach to social investment. Such an approach begins with the identification of the problems being addressed – such as inequalities in education, inadequacies of justice, inequities in health services, or deficiencies in early childhood development – as well as the outcomes sought. This approach generally comprises several key characteristics: it is driven by goals and targets; it recognizes that solutions will likely require multiple interrelated strategies; it acknowledges that formidable challenges require a long-term view and commitment; it recognizes that large-scale change often requires collaboration and partnership; and it includes a clear plan for assessing impact. In addition, it also includes contributions of social and intellectual capital, in addition to a significant financial commitment.

An outcome-based approach encompasses many of the following topics. For example, such an approach might lead to the pursuit of additional financial support, could very well benefit from a combination of operational programs and grantmaking, and would frequently include strong partnerships or alliances.

### Foundation Funding from a Variety of Sources

Philanthropic institutions generally receive core funding from individuals, family members, and corporate profits. While several experts thought that much foundation funding was sporadic and unpredictable, most of the institutions described in interviews have a relatively steady source of income or an endowment. Similarly, among survey participants with foundations, 63 percent stated that their foundation received regular contributions from either an individual/family or a corporation. An additional 18 percent indicated that their foundation had its own endowment.

**Figure 8: Sources of Foundation Funding**  
(% of respondents, n=51)



In most countries, there are few incentives for establishing an endowment, due to the highly burdensome process of doing so, and limited protection of assets once it is established. Only 18 percent of survey respondents indicated that their foundation had an endowment, and a large majority of philanthropic institutions described in the interviews were not endowed. Nevertheless, interviews included several examples of institutions with endowments including the *FMCSV*, *Civita Foundation*, and *Instituto Alana (Alana Institute)* in Brazil; the *Carvajal Foundation* in Colombia; and the *Bunge and Born Foundation* in Argentina. Among those who had established an endowment, the main reasons for doing so included ensuring perpetuity and allowing for long-range planning. In addition, some wanted to professionalize or “depersonalize” their philanthropic institution and others wanted to serve as visible role models, encouraging others to make permanent philanthropic commitments.

Although philanthropic institutions receive substantial funding from the founder(s), many (even corporate) foundations also seek and/or receive funding from other sources including national foundations, personal and business acquaintances, non-associated corporate contributions, federal or local governments, and, less frequently, the general public, international foundations, and aid agencies. Multiple funding sources are possible because most countries’ legal frameworks do not distinguish between a resource-giving and resource-receiving institution. Importantly, philanthropic institutions view additional external funding as a way to maximize impact. Because most foundations directly operate their own programs, additional resources help them expand the scope and scale of their work. Several individuals explained that their foundations were initially funded entirely by the family or corporate group, but, as they demonstrated, impact the foundation attracted support from others.

Thus, while contributions from other sources are indeed likely to increase program impact; the practice has implications for civil society more broadly. Many individuals expressed concern that the practice limited the potential funding for other civil society organizations, which have been put in the position of competing for relatively scarce resources with endowed or well-funded foundations.

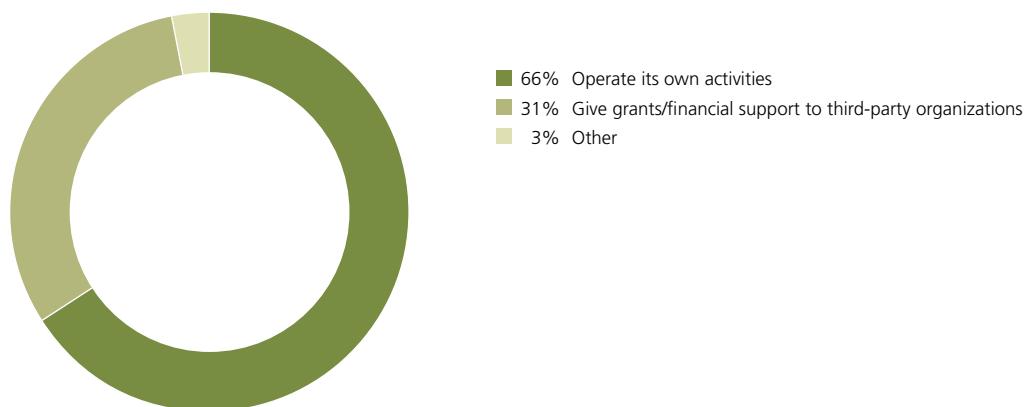
### Mix of Investment Strategies: Foundation-Operated Programs Prevail

Individuals and philanthropic institutions across the region employ a mix of investment strategies, including foundation-operated programs (42% of survey respondents), scholarships (41%), grantmaking to third-party organizations (29%), and – more rarely – equity investments (10%), and loans (5%). Of these methods of engagement, foundation-operated programs appear to receive the most funding. Notably, and as described, individuals who start with an outcome- or problem-based approach may be largely agnostic about investment strategies, and in the absence of specific legal frameworks or strong cultural precedents they employ a combination of instruments to achieve their goals.

The limited data that exists suggest that there is a clear preference for foundation-operated programs. Uniquely in Colombia, experts and interviewees described foundations that have principally operated their own projects and programs as first-floor foundations, while foundations that generally provide grants to third-party entities were referred to as second-floor foundations. In a survey of its members in 2014 the *Asociación de Fundaciones Empresariales* (*Association of Corporate and Family Foundations* or AFE) found that 30 identified themselves as first-floor, 18 as second-floor, and 8 as a mixture of the two.<sup>22</sup> And in 2011–2012, a membership survey by Brazil's *Grupo de Institutos Fundações e Empresas* (*Group of Institutes, Foundations and Companies* or GIFE) reported that in 2011–2012 55 percent of resources were spent on program operation and 29 percent on donations to others.<sup>23</sup> Regrettably, there is no similar data available for other countries. Among this study's survey respondents that have established a family or private foundation/trust, an average of 66 percent of resources have been used to operate their own activities, with an average of 31 percent going into grant support.

**Figure 9: Foundation Social Investment Strategies**

(% of overall giving, n=40)



**Individuals who start with an outcome-based approach may be largely agnostic about investment strategies, and in the absence of specific legal frameworks or strong cultural precedents they will employ a combination of instruments to achieve their goals.**

There are a number of reasons why individuals and institutions choose to operate their own programs. First, many of those interviewed, who were working on a variety of different issues, emphasized that they could have more impact by operating their own programs. A second and related issue is the widespread lack of confidence in civil society. In addition, a sense of personal fulfillment inspired many individuals, who explained that they wanted to be directly engaged with the communities and individuals they hoped to assist. Finally, many of those who chose to directly operate programs were likely motivated by a combination of these factors.

### **Complex Attitudes toward Civil Society**

With a philanthropic landscape largely characterized by an operating model, grantmaking to support individual nonprofit organizations or to strengthen civil society is limited. While many foundations provide some grants or other financial support to nonprofit organizations (as indicated above), the greatest share of financial resources flow toward the operation of in-house programs.

Attitudes toward civil society in Latin America are highly complex and beyond the scope of this study. But in addition to the points mentioned above, it is important to briefly point out that while there is clearly a lack of confidence in NGOs' capacity and professionalism there may be other significant factors influencing the relationship between philanthropy and other parts of civil society. First, while some might see the growth and support of a vibrant civil society as a principle, and central, role for philanthropy, many do not share this precept. Second, while in a small number of countries around the world, philanthropic institutions' principal tool is grantmaking, there is not a similar correlation in Latin America. In this region, foundations approach social change through a multitude of financial tools and strategies. Furthermore, in several Latin American countries, international efforts have established and long supported significant parts of the civil society landscape and many may continue to perceive these organizations as a priority for international, rather than domestic, organizations and donors. As described earlier, a low level of societal trust could be a significant deterrent to supporting nonprofit organizations as well.

These issues notwithstanding, several individuals remarked on the knowledge and expertise of many NGOs, the importance of supporting their work, and the potential impact of grantmaking. Inês Mindlin Lafer in Brazil described the *Lafer Institute's* conscious decision to make grants based on the complex nature of judicial reform (the Institute's primary focus), the Institute's resources, and the existence of skilled and knowledgeable NGOs already working in the field. In Colombia, Fernando Cortés McAllister explained that the *Fundación Bolívar Davivienda (Bolívar Davivienda Foundation)* decided to provide resources to nonprofits because it did not make sense to develop in-house expertise in all of the issue areas in which the Foundation was involved. Moreover, the Foundation asserted that these grants helped strengthen NGOs' expertise and capacity, thereby contributing to a stronger sector overall. Similarly in Mexico, the foundation now being created by the del Valle family will likely engage in significant grantmaking. Blanca del Valle Perochena emphasized that there are many NGOs and social entrepreneurs who are experts in their fields and it was important to help them create positive change.

*The relationship between philanthropy and other parts of civil society is complex. While some might see the growth and support of a vibrant civil society as a principle, and central, role for philanthropy, many do not share this precept.*

In addition, there were a few adamant voices that emphasized the critical importance of a strong civil society and the need for philanthropic resources to help develop it. As described in a recent report by the World Economic Forum, NGOs increasingly play a critical and diverse set of roles in societal development as "watchdogs, ethical guardians, and advocates of the marginalized or under-represented."<sup>24</sup> They are also service providers, innovation incubators, important facilitators and conveners, and arbiters of the critical balancing act needed to mediate the power of government with that of the private sector. Several individuals also acknowledged the broader need to develop and professionalize civil society through grants even if this was not a priority for their own organizations.

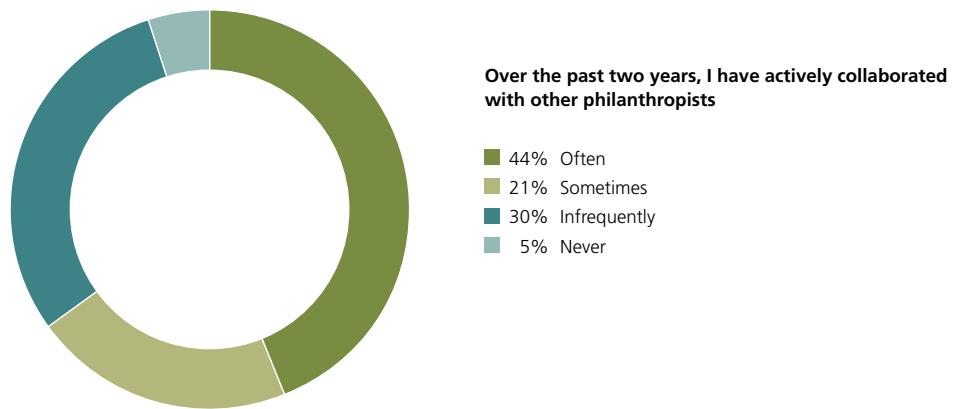
Some foundations have taken a venture philanthropy approach and have provided organizations with both financial and non-financial support to increase their social impact. In Chile, the *Colunga Foundation* has consciously developed a venture philanthropy strategy, with multi-year commitments and assistance for capacity building. Juan Francisco Lecaros in Chile founded *Corporación Simon de Cirene* with a view toward transferring business expertise and management knowledge to the social sector. Among survey respondents, 64 percent were either interested or very interested in the concept of venture philanthropy.

While some advocated for one approach over the other, it is worth noting that there is no real evidence that either an operating or grantmaking model is more impactful. In fact, the previously cited agnosticism of an outcome-based approach may well be the most effective strategy.

While some advocate strongly for an operating or grantmaking approach to philanthropy, there is *no real evidence that one model is more impactful than the other*. The agnosticism of outcome-based investments may well be the most effective approach.

of survey respondents said that they have collaborated often with other philanthropists over the last two years, with 21 percent having sometimes collaborated. Less than five percent said they have never collaborated with others. In addition, 74 percent indicated that they were either interested in or very interested in collective impact, a concept developed by the U.S.-based consulting firm FSG, broadly defined as "*the commitment of a group of actors from different sectors [e.g., government, civil society, business] to a common agenda for solving a complex social problem.*"<sup>25</sup>

**Figure 10: Collaboration and Partnership**  
(% of respondents, n=63)



In Brazil and Colombia, several individuals spoke positively about their partnerships with both private organizations and public entities. However, in Colombia partnerships at the regional and local level were described as more difficult, in part because of perceived corruption. Individuals in Mexico and Peru believed that there were a limited number of PPPs, although they did not describe partnerships as intrinsically challenging. However, two noteworthy examples come from these countries. In Mexico, Alejandro Ramírez realized that typical philanthropic contributions to education were important but insufficient to create fundamental long-term change. So, together with several colleagues, he founded *Mexicanos Primero (Mexicans First)* to address structural barriers to quality education. In Peru, the *Wiese Foundation*, has worked with government for over 30 years and emphasized that such partnerships were critical to achieving large-scale impact.

#### **Partnerships and Collaborations Seen as Important but Sometimes Difficult**

Moving beyond their own capacity to affect change as a family or individual, many social investors recognized the essential importance of partnerships as well as collaboration for achieving their goals. As noted earlier, partnerships are very often part of an outcome-based, social investment approach.

Many individuals emphasized the need to address immediate and complex challenges requires donors to work together and with local, state, and federal governments. Others emphasized the importance of partnerships to scale-up impact, and still others stressed the goal of leverage, i.e., looking for other people to co-invest in issues they cared about.

Partnerships vary widely in terms of composition, size, form, activities, governance, and goals. Among partnerships described by participants in this study, a significant number can be characterized as donor collaborations, with two or more foundations working together, while others are public-private partnerships (PPPs) including a variety of foundations, government entities, and corporations. And 44 percent

On the other hand, some individuals stressed that it was difficult to create, manage, and sustain partnerships, particularly PPPs. In Argentina many noted the difficulty in forming partnerships with public entities because of the government's reluctance to embrace a strong role for the philanthropic sector. Some noted that, while the government might want the private funding, they did not want foundations involved in decision-making or program delivery.

### **Awards and Prizes Encourage Excellence**

Several foundations use awards and prizes as a powerful tool in creating societal benefits. A McKinsey report suggests that the use of prizes is undergoing a renaissance and describes a new appreciation for the multiple ways in which awards and prizes can produce change. This can take place not only by identifying excellence and encouraging innovation, but also by influencing public perception, focusing communities on specific problems, and mobilizing new talent and/or capital.<sup>26</sup>

The use of awards and prizes was most striking in Argentina, where several foundations have had long-standing programs that provide awards and prizes for professional achievements and accomplishments. The *Fundación Konex* (*Konex Foundation*) and the *Bunge and Born Foundation*, which both have well-known and distinguished award programs, described these as effective mechanisms for encouraging development, talent, and leadership in a given field. In Peru, one expert noted that increased recognition for individuals' philanthropic efforts – rather than corporate or CSR work – through an award or prize could be helpful in illuminating innovative philanthropic approaches, demonstrating the value of social investment, and encouraging others to become more philanthropically engaged.

### **Impact Investing Growing Across Region**

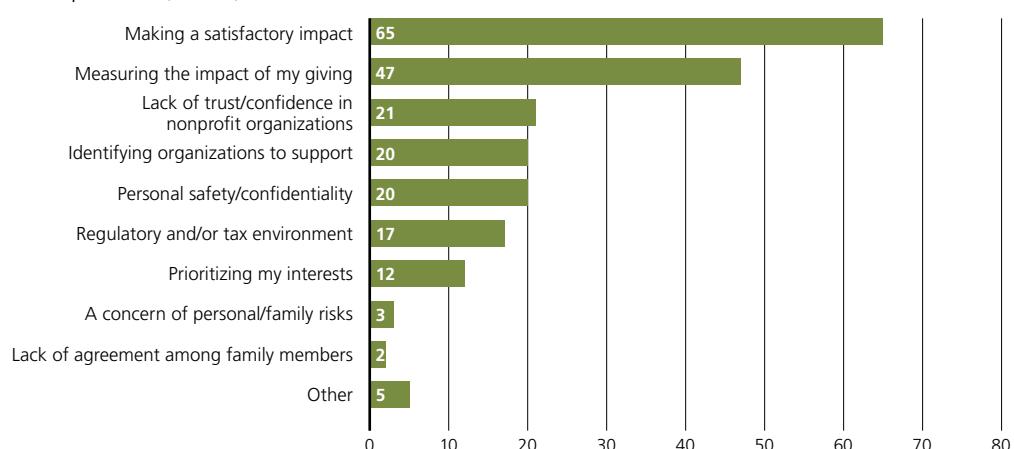
Impact investing can be defined as investments made into companies, organizations, and funds with the intention of generating social and environmental impacts together with a financial return. Of growing interest around the world, the concept also appears to be increasingly attractive to social investors in Latin America, and, in these interviews, particularly to those individuals from Brazil and Colombia. While only 14 percent of survey participants currently provided philanthropic support to "organizations that produce both a financial profit and a social benefit," 62 percent indicated they were either very interested or interested in impact investing. In Brazil, Ana Lucia Villela established a social enterprise to generate corporate profits and significant social impact. And Bernardo Gradin invested in for-profit organizations developing educational innovations to help achieve universal quality education. For these individuals and others who employed a variety of social investment strategies, impact investing is seen as "a tool in the toolbox."

Over the last decade, according to a Bain and Company report on impact investing in Latin America, the landscape has grown dramatically from two or three specialized international players investing in the region to more than 50 organizations with hubs of activity in Bogotá, Mexico City, and São Paulo. This 2014 study reports that capital committed by impact investment funds in Latin America increased from US\$160 million in 2008 to roughly US\$2 billion by 2013, which represents a 12-fold increase in just five years. Brazil has the largest regional share, with a total of US\$180 million invested by domestic and foreign impact investment funds. Mexico and Colombia have the next largest shares, with approximately US\$100 million and US\$50 million invested, respectively.<sup>27</sup>

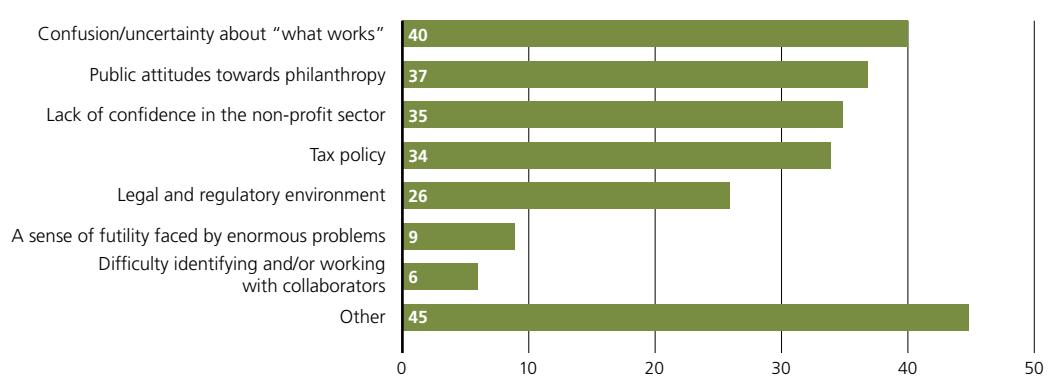
# Looking Ahead: Challenges and Opportunities

## Obstacles to Philanthropy and Social Investing

**Figure 11: Most Significant Challenges to Individual Philanthropy**  
(% of respondents, n=66)

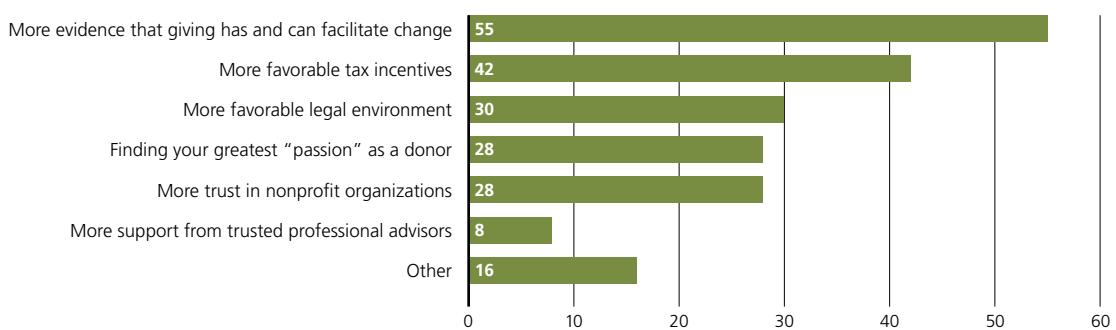


**Figure 12: Most Significant Challenges to Philanthropy in Society**  
(% of respondents, n=65)

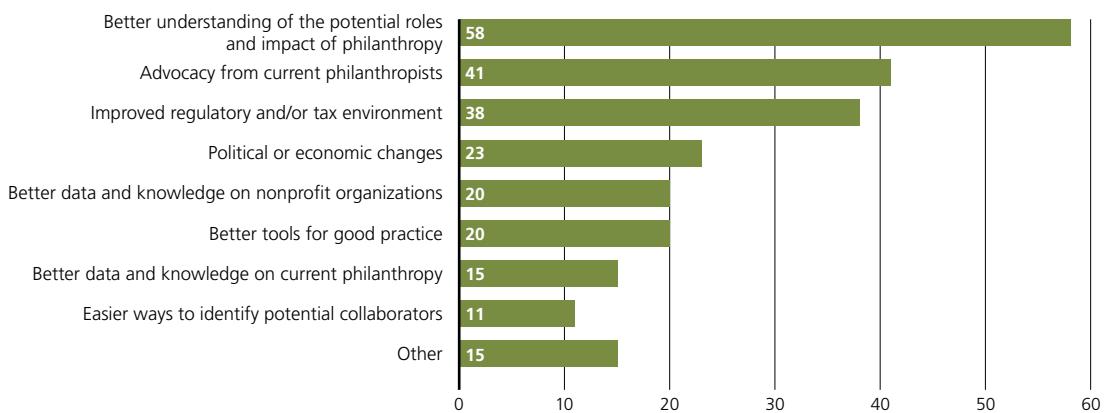


## Changes that would Promote More Philanthropy

**Figure 13: Changes that would Motivate Increase in Own Giving**  
(% of respondents, n=64)



**Figure 14: Changes that would Increase Philanthropy in Society**  
(% of respondents, n=66)



The majority of individuals interviewed for this study are active, engaged philanthropists and social investors and did not believe there were significant obstacles to their own giving – except for a lack of resources commensurate with the scale of the problems and issues being tackled. Further, as a group they believed that there was an opportunity, indeed an imperative, to bring more philanthropic capital to bear on the challenges faced in their countries and to foster widespread improvement in human well-being. While 65 percent of survey respondents felt that currently philanthropy in their country only had a moderate impact, 80 percent thought that the need for philanthropy was either extremely urgent or urgent.

At the same time, it is important to underscore the fact that participants in this study may not be representative of the larger cohort of wealth holders. The interviews included some of the most committed philanthropists, innovators, and leaders at the forefront of social investment in their countries.

Despite the actions, engagement, and optimism of this remarkable group of individuals, there is also a strong belief, among both those interviewed and survey respondents, that there are significant obstacles that hinder a broader group of wealthy individuals from becoming more active and that limit the overall impact of private social investment in their countries. While some obstacles differ among the countries, there is a cluster of challenges that seems to be quite constant in the region. Key among them are uncertainty about the roles and impact of philanthropy, a limited sense of social cohesion and solidarity, an unfavorable tax and policy environment, and a lack of confidence in the nonprofit sector.

Notwithstanding the recognized challenges to philanthropic growth and impact, many individuals were cautiously optimistic about the trajectory of social investing and philanthropy in their countries. They emphasized that in several Latin American countries the underpinnings of a robust philanthropic sector – democratic stability, economic growth, personal wealth accumulation, and space for citizen action – are all relatively new. With time, some anticipated that private philanthropy would naturally flourish. Moreover, individuals largely thought that proactive approaches, initiatives, and opportunities could help to accelerate this process.

Both the interviewed individuals and survey respondents were asked about the most significant challenges they faced in their own philanthropic giving as well as the greatest challenges to broader philanthropic growth and impact in their country. They were also asked what changes would motivate them to increase their own giving in the future and what changes would help philanthropy to develop in their countries. Results from the survey are shown in Figures 13 and 14 and discussed below.

### **Changing Attitudes and Perceptions towards Philanthropy**

As described earlier, for philanthropy and social investment to have a significant impact, a society must embrace a strong role for both private action and the nonprofit sector. In this study, one of the most frequently cited obstacles to philanthropic growth and impact was the perception, held by both governments and the public, that the role of philanthropy, social investment, and private participation in the provision of public goods should be narrowly defined. While traditional charity that helps people in need and alleviates immediate suffering is seen as a legitimate role for private giving, social investments that address systemic problems in areas such as education and health care (seen as state responsibilities), or that tackle more controversial issues such as human rights, are not widely accepted. In addition this fundamental perception regarding sectoral roles, elements of distrust and concerns about corruption and misuse of philanthropic capital further inhibits a positive perception of philanthropy and diminishes its potential.

*While traditional charity that helps people in need and alleviates immediate suffering is seen as a legitimate role for private giving, social investments that address systemic problems in state areas such as education and health care, or that tackle more controversial issues such as human rights, are not widely accepted.*

at the policy and implementation levels. Moreover, such evidence is what could very well persuade more wealthy individuals to convert some portion of their wealth into philanthropic capital.

Survey respondents also saw a lack of knowledge about impact as the greatest challenge to philanthropy. They also indicated that demonstrable impact was the most important issue to motivate both increased philanthropy personally, as well as philanthropy in the country as a whole. *"Making a satisfactory impact"* was the most frequently cited challenge to individual giving (65%) and measuring impact was the second most frequently cited obstacle (47%). Similarly, respondents also cited *"confusion/uncertainty about 'what works'"* the most critical challenge to increasing philanthropy in society (40%). Looking at changes that would motivate the respondents to give more, evidence of impact was again the top response (55%), and was also the change viewed as most likely to increase philanthropy in society (58%).

The findings of this study illustrate that, across a breadth of issues, there are clear and impressive examples of social impact. In Colombia, one innovative education program addressing the needs of underserved students has produced academic scores that surpass peers across the country. Another philanthropic program in Cartagena has reduced infant mortality in one clinic by 65 percent. In Peru and Mexico family foundations have saved and restored globally important heritage sites that otherwise might have been lost forever. Numerous universities and health institutions built with private philanthropic contributions have helped countless people in Argentina. And in Brazil, more than 10,000 school children are receiving quality education thanks to innovative online platforms. There are numerous other examples of social impact in every country.

To a certain extent, expanding philanthropy is an issue of communication and visibility. While social investment levels may be limited, it also appears that people are largely unaware of existing activities and their impact. In interviews, individuals were often unaware of their own country's significant philanthropic institutions, some of which have been included in this study. There are many ways to increase the visibility of philanthropic impact. Some foundations are publishing annual reports with stories of impact, in addition to financial information that has been evaluated by independent auditors, which may help to build societal trust and spread awareness. Philanthropic infrastructure groups are also presenting stories around members' impact. There is also an opportunity for independent third-party case studies of impact, and for more media coverage of philanthropic efforts.

Aside from gaining more visibility for known social impacts, there is a need and opportunity to bring deeper and better evaluative techniques and metrics to assess the success of philanthropic programs and projects. Globally, there are many evaluation and assessment tools that measure social impact and that could be adapted for use in Latin America.

Among survey respondents, 37 percent indicated "*public attitudes towards philanthropy*" as a top challenge to overall philanthropic growth and impact, making it the second most frequently cited obstacle. This perception was echoed in numerous interviews.

Encouragingly, the opinions concerning philanthropic roles are clearly changing in some countries. Notably, the governments in Brazil and Colombia seem to accept and even encourage private philanthropy, as evidenced in particular by some strong PPPs. Private citizens, too, are recognizing philanthropy's social contributions and value. A number of individuals noted that private philanthropy could be an important stabilizing mechanism by decreasing inequalities and making for less friction in society. In the future, many of the other topics discussed in this section – demonstrating impact, building a sector, and strengthening civil society – could all help to develop more favorable attitudes and perceptions about philanthropy.

#### **Demonstrating Philanthropic Impact**

The clear demonstration of philanthropic impact is likely to be the keystone for both changing perceptions around philanthropy's roles and increasing its practice. Demonstrable impact could help to persuade both governments and the public of the value of philanthropy and social investment as well as lead to positive changes

In addition to individual examples and case studies of impact there is a critical need to better understand the overall scope and impact of the philanthropic sector in each country and across the region. As noted earlier, there is a paucity of reliable data on philanthropic giving and social investment. Ongoing efforts in Brazil and Mexico and a new initiative in Colombia are addressing this gap, but leaders of these efforts were the first to admit that more comprehensive and regularly updated data was needed. Encouragingly, a new global initiative is poised to help individual countries develop new data and also, for the first time, make the data comparable across countries. Latin American participation in this initiative could be instrumental to the understanding of philanthropy both nationally and regionally.

### **Fostering a Culture of Social Responsibility and Solidarity**

With remarkable frequency, study participants talked of the limited culture of giving in their countries. It is possible that this is in significant part closely linked to, or the result of, concepts of social responsibility, citizenship, and solidarity. Many spoke of the limited sense of community and social cohesion among people of different economic and social strata. Social groups are often exclusive and intimate and several noted that the rich live "*in a bubble*" where they are either unaware of or ignore the well-being of others. In some countries participants cited even greater isolation, where there was almost no solidarity, sense of responsibility, or trust beyond one's own family.

The reasons for this are complex and well beyond the scope of this study to analyze comprehensively. But in brief, Latin America is a region where social divisions have characterized society for centuries and have been reinforced by myriad economic, social, ethnic, political, and geographical distinctions. Across the region various factors – including early colonization, plantation economies, prolonged slavery, and decades of foreign extraction and/or intervention – have created a society where riches have only benefited a small minority. Some countries have an even earlier hierarchical history dating back to pre-colonial times. Throughout this history there has been almost no emphasis on sharing wealth, building an egalitarian society, or developing social cohesion. More recently, under military rule and authoritative governments, community building or citizen engagement was often seen as subversive, and thus was a further barrier to developing broad social affinity. In countries with extensive political conflict and internal violence, people, particularly the wealthy, needed to keep low profiles and focus on the safety of themselves and their families.

Several countries in the region are just beginning to realize a true sense of a democratic society, one which is accompanied by political stability, economic growth, personal security, and the freedom to associate or engage. Concepts of egalitarianism, citizen participation, and a committed citizenry actively involved in creating and sustaining a democratic society and advancing the well-being of all are relatively young ideas and practices in the region. Yet they are concepts that are likely essential in the development of a culture of giving.

There are, to be sure, outstanding examples of social responsibility among the region's wealthy families. To use just one example, the *Carvajal Foundation*, which is now over 50 years old, is admired not just in Colombia, but throughout Latin America, for its commitment to the people in the community in which the company operates. Many other corporate/family enterprises show similar dedication. Moreover, almost without exception the individuals in this study expressed a deeply held sense of social responsibility and commitment to helping the people in their countries who most suffered most from a lack of resources, services, and opportunities.

Many participants displayed genuine optimism that the growth of stable democracy, economic prosperity, and personal wealth would be accompanied by the growth of social cohesion, social responsibility, and trust. There could also be opportunities to hasten the process. In each country individuals suggested that concepts of citizenship and opportunities for community service should be fully integrated into educational curricula from a very young age. Others spoke of the necessity for people to understand poverty first-hand through volunteering and service programs that could change hearts and minds and foster long-term compassion, engagement, and action. It is encouraging to note that several philanthropists are already doing this with their own children.

**Many participants displayed genuine optimism that the growth of stable democracy, economic prosperity, and personal wealth would be accompanied by the growth of *social cohesion, social responsibility, and trust.***

### **Improving the Tax and Policy Environment**

In all countries, with some important variations, the policy environment is generally perceived as restrictive and limiting to the growth of the philanthropic sector. While individuals who have made substantial philanthropic investments said that it did not have a strong impact on their own giving, they believed it limited more widespread philanthropy in the country. Similarly, only 17 percent of survey respondents indicated that the regulatory and tax environment was a challenge to their own giving, but when considering efforts that would encourage them to give more, 42 percent cited more favorable tax incentives and 30 percent noted a more favorable legal environment. These were the two highest response categories behind the issue of impact. In addition, 38 percent of respondents thought that an improved regulatory and/or tax environment could increase philanthropy in their country, the third most cited motivation.

Key regulatory issues included difficulties with establishing a philanthropic foundation, the creation and protection of endowments, limitations of tax incentives, and strict inheritance laws. Notably, several experts and interviewees pointed out that wealthy individuals were not taking advantage of the limited tax incentives available, often due to their complex nature. As a result, they did not believe that additional tax incentives would change the giving landscape significantly.

In several countries, both philanthropic support organizations and individual philanthropists are or have advocated for more favorable policies. Beyond these national efforts, there could be an opportunity to create a policy template of best practices that could be used as a starting point for discussions in various countries. One would of course have to recognize that individual governments are likely to have very different positions on some of the issues.

### **Building Trust, Confidence, and Capacity in Civil Society**

As previously noted and with variations among the study countries, there is a deep-seated lack of confidence and/or trust in the nonprofit sector from philanthropists, government, and the general public. Importantly, individuals readily pointed to notable exceptions, e.g., NGOs in every country that are widely respected and trusted. However, they were perceived as the exception rather than the rule. Such concerns are among several reasons that philanthropic institutions generally operate their own programs and provide limited support to nonprofit organizations.

This distrust and low confidence in nonprofit organizations stem from a variety of reasons, key among them the perception of limited professional practices and a lack of transparency, combined with a general distrust of unknown institutions. Among survey respondents, a lack of trust/confidence in nonprofit organizations was among the top three challenges to both their individual philanthropy (21%) and the growth of philanthropy in their countries (35%) as a whole. Almost 30 percent also indicated that more trust in nonprofit organizations would motivate them to increase their own giving. It is worth noting that, although there is no reason to doubt that these perceptions are true, there is also limited empirical data that addresses the true capacity of the nonprofit sector in Latin American countries.

Philanthropic experts in several countries suggested that broader acceptance of grantmaking and support for nonprofit organizations could help to grow the philanthropic sector. They noted that not everyone has the resources to create an institution and operate programs. They also emphasized that, while many people wanted to bring about change, they did not want to commit their own time to running their programs and/or did not have the capacity to hire those with the expertise to manage them.

It is possible, though not guaranteed, that if individuals had more trust and confidence in the nonprofit sector, they would be much more likely to support civil society organizations with contributions and grants. And importantly, there were many people interviewed for this study who championed the expertise of nonprofit organizations and the critical importance of civil society in facilitating real, positive change.

### **Realizing the Promise of Philanthropy**

This study has illuminated the important and inspirational philanthropic initiatives of wealthy individuals in six Latin American countries. The research has explored the deeply held values that motivate and influence giving; the issues and priorities to which individuals generously contribute financial, intellectual, and social capital; the range of platforms, instruments, and strategies they employ to achieve their goals; and their perceptions and insights on the role – both current and future – of private giving and social investment in these countries.

The collective interviews, along with survey results, provide new insight into both the soul and practice of philanthropy in the region. As a group, the individuals in this study are guided by strong family and faith-based values and a deep moral sense of social responsibility. While there is a rich range of philanthropic priorities and passions – including, most prominently, quality education, adequate health care, national culture, and secure livelihoods – at the core of most initiatives is a commitment to individual opportunity, social equity, and national development and prosperity.

In the absence of well-defined legal environments and local philanthropic precedents, philanthropists and social investors in Latin America often take a goal-oriented or outcome-based approach to their giving and social investments. They are largely agnostic about specific methods, instead using a variety of philanthropic platforms and strategies to maximize the impact of their giving and social investments. And while the political and policy environment for philanthropy in most countries is not generally perceived as favorable, it has not been a barrier for this group of committed, engaged philanthropists.

The participants in this study are almost certainly not representative of all the region's wealth holders. In large part they are the early leaders and adopters at the forefront of philanthropy and social investment in their countries. Yet optimistically, philanthropy and private social investment is poised for growth in the region. The countries' economic progress and the associated growth of personal wealth is expected to continue. Persistent economic and social inequalities are of growing concern, and an increasing number of social investors are demonstrating the potential of private actions to address their countries' challenges. There is also a growing infrastructure that can support, encourage, advocate on behalf of – as well as build – a sustainable philanthropic sector.

In many respects, changing long-held beliefs, attitudes, and behaviors has a generational timeline. Many who participated in this study were optimistic about the likelihood of greater social investment and engagement both from their own, but especially the next, generation. The goal, articulated by one social investor: *"We need to create a culture of giving where people will begin to feel that something is missing if they're not part of it."*

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# Argentina

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Argentina at a Glance

**Population**

41.45 million

**GDP**

US\$610 billion

**GDP growth rate**

2.9%

**GDP per capita**

US\$14,715

**Gini index**

43.6 (2011)

**UNDP Human Development Index**

0.808 (49<sup>th</sup> of 187 countries)

**Social Progress Index**

70.59 (42<sup>nd</sup> of 132 countries)

**Poverty headcount ratio at US\$4/day**

11.6% (2011)

**Poverty headcount ratio at US\$2/day**

1.4% (2011)

**Poverty headcount ratio at national poverty line**

unavailable

**Unemployment total (of total labor force, national estimate)**

7.2% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Argentina: Country Context

Argentina has one of Latin America's largest economies as well as some of its highest social progress indicators, particularly in basic human needs and personal opportunity.<sup>1</sup> The country's GDP reached US\$610 billion in 2013, up from US\$344 billion in 2000,<sup>2</sup> with abundant natural resources and growing domestic industries having been and continuing to be the major drivers of growth. Once a major global economic power, Argentina has suffered prolonged periods of political and economic instability throughout most of the 20<sup>th</sup> century, which has had a damaging impact on the nation's development and prosperity. Recent decades have witnessed efforts to rebuild through democratization, financial reform, and an increased focus on social development.

Unlike other countries in this study, Argentina has a sizeable Jewish population, with immigration dating back to the 16<sup>th</sup> century, when Jews expelled from Spain settled in the country. After subsequent waves of immigration – and some emigration during the repressive regime of the 1970s and 1980s – there is a Jewish community of approximately 182,000. In fact, Argentina has the largest Jewish population of any country in Latin America and the seventh largest Jewish population in the world, with Buenos Aires having the fourth largest Jewish community of any major city.<sup>3</sup>

The second half of the 20<sup>th</sup> century was plagued by political conflict and military interference, strongly marked by internal violence and instability. The election of Juan Perón in 1946 brought radical change to Argentina: nationalization of key industries, growing unionization, and large public expenditures that significantly diminished economic production over time. Growing discontent resulted in the exile of Perón in 1955 and introduced unstable, intermittent civilian and military rule for the next three decades. Violence intensified during a period known as the Dirty War during the late 1970s and early 1980s: under the military junta, an estimated 30,000 people disappeared or were killed – students, activists, unionists, and other alleged sympathizers who threatened military control.<sup>4</sup> When the generals invaded the Falkland Islands (las Malvinas) to try to garner support from the populace, the ensuing defeat brought on their own demise. Democracy was restored in 1983, although the country continued to face severe economic struggles and emotional trauma.

In 2001, Argentina's recurring economic crises peaked with rising deficits, inflation, external debt, and capital flight. By the next year, more than 45 percent of Argentines were living in poverty (on less than US\$4/day), 23 percent were living in extreme poverty (on less than US\$2/day),<sup>5</sup> and the GDP growth rate had sunk to negative 11 percent.<sup>6</sup> However, the country was able to recover quickly from this economic crisis and has been experiencing a booming economy in the last decade, due in large part to rapidly rising export levels and high levels of education. The country has also made efforts to link recent economic expansion with social inclusion and development, a strategy that has witnessed some success. By 2011, poverty had decreased more than 30 percent to 11.6 percent and extreme poverty to less than 2 percent.<sup>7</sup> In the same period, unemployment dropped by more than 10 percent, to just over 7 percent.<sup>8</sup> GDP averaged an 8–9 percent annual growth rate between 2003 and 2011, with the notable exception of the 2008 global economic recession, when growth decelerated to 0.1 percent.<sup>9</sup> Per capita income stood at US\$14,715 in 2013.<sup>10</sup>

Argentina's economic growth has resulted in massive accumulation of wealth for the nation's elite: the top 10 percent of the population held over 30 percent of the national income in 2011.<sup>11</sup> According to WealthInsight, there were 36,860 HNWIs in Argentina in 2013, holding a combined wealth of US\$160 billion, more than a quarter of the country's GDP. Thirty-six percent of this wealth was held abroad, likely due in large part to the country's relatively recent economic instability.<sup>12</sup> At the end of 2014, Forbes included six Argentines in its billionaires' list, with a combined net worth of US\$10.7 billion.<sup>13</sup> Although Argentina has a Gini index of 43.6, which is lower than most countries in this study, income distribution is still relatively unequal in terms of global comparisons.

# Philanthropy and Social Investment in Argentina: Key Features and Trends

Today's private giving in Argentina has been shaped by centuries of religious traditions, cultural norms, political histories, and economic conditions. In recent decades, Argentina's stable democracy, steady economic growth, and accumulation of personal wealth have provided a foundation for philanthropic growth. Yet government and public perceptions regarding appropriate roles for private giving seem to limit its potential. While the environment for philanthropy continues to evolve, several current features and trends of the philanthropic landscape are noteworthy.

## Faith-based Traditions Shape Giving

As throughout Latin America, Argentina has long-standing traditions of faith-based giving, and current giving continues to be influenced by these traditions. Similar to other countries with a strong Church tradition and large Catholic population, giving has long benefitted the Catholic Church. Perhaps more so in Argentina than other study countries, it appears that the Church's institutions, leaders, and programs continue to be the primary beneficiaries of this charitable giving.

Argentina's Jewish population also has deeply held traditions of charitable giving founded in the important Jewish tenet of *tzedakah*. While the Hebrew word refers to giving aid, assistance, and money to the poor or other worthy causes and is generally translated as charity in English, the nature of *tzedakah* is different, since it is based on a religious obligation to do what is right and just.<sup>14</sup> The obligation to perform *tzedakah* is often fulfilled by giving money to synagogues and Jewish collective giving organizations such as *Fundación Tzedaká* (*Tzedakah Foundation*) in Buenos Aires.

## Scale and Scope of Giving Largely Unknown

Similar to many countries in the region, there is limited data on giving in Argentina, and the scope and scale of philanthropy is largely unknown. While levels of giving are not measured, those interviewed believe that individual giving is low and sporadic, while corporate giving has been on the rise. The reasons for the low level of individual giving include: government attitudes toward civil society and philanthropy and the related legal and tax environment; individual attitudes toward the role of private social responsibility and action; the lack of a culture around fundraising and solicitation; and the relative newness of both democracy and economic prosperity in the country. Andrés von Buch, a prominent Argentine businessman, noted, "*There are foundations, but many are not active. They put money into the foundations in a good year, but then stop in bad years and the foundation fizzles.*" Guillermo Correa, executive director of the *Red Argentina para la Cooperación Internacional* (Argentine Network for International Cooperation or RACI), underscored the limited culture of giving, "*For the first time in 200 years we live in a democracy. Because this is new, there is a lack of awareness of what citizenship means and a limited culture of giving.*"

The limited data that does exist corroborate these perceptions. According to a survey conducted by Argentina's *Grupo de Fundaciones y Empresas* (Group of Foundations and Businesses or GDFE) in 2008, 75 percent of foundations indicated that their primary source of funding was corporations and that 80 percent of respondents' social investment was concentrated in corporate social responsibility initiatives.<sup>15</sup>

## Political and Policy Environment in Need of Development

The political and policy environment in Argentina is viewed as a barrier to the growth of philanthropy in Argentina. Many of those interviewed indicated that the government has a generally adverse attitude toward philanthropy, envisioning only a narrow role for civil society, civic action, or social investment in social change or economic development. Specific policy issues seen as particularly significant obstacles are the limited tax incentives for giving and the administrative difficulty in creating a foundation. One expert commented, "*The Argentine people are generous, but this is inhibited by old legislation and lack of incentives.*"

**“For the first time in 200 years we live in a democracy. Because this is new, there is a lack of awareness of what citizenship means and a limited culture of giving.”**

Guillermo Correa

## **“It is politics, not economics that is limiting giving in Argentina. Change needs to start with the government.”**

Anonymous

Several people emphasized the challenges posed by the strongly and widely held views regarding the appropriate roles for the state and civil society. As described, not only the government, but also much of the public, believes that it is the government's responsibility to provide social services, address social challenges, and generally provide for the welfare of all Argentines, with a very limited role for private social investment and the nonprofit sector in these areas. Guillermo Correa noted, *“After 2001 the government was broken and many private organizations began to provide social services. But in the last five years, the government has said, ‘Thanks, we'll take over from here.’”*

Low levels of political support for philanthropy are reflected in the government's tax and legal policies. The scope of contributions that receive favorable tax treatment is narrowly defined: individuals are eligible to receive a tax deduction for donations – of up to just 5 percent of income – to a small pool of qualified nonprofit organizations operating in specific issue areas, or for the benefit of certain populations, such as children. In addition, there are considerable administrative and legal challenges to creating a philanthropic institution, including complex processes for registration, a required minimum endowment, and lengthy waits to receive relevant legal approvals and tax exemption.<sup>16</sup>

### **Corporate Giving and CSR are Growing**

Although this study focuses on private giving, in Argentina, as in most of Latin America, it is difficult to clearly distinguish between personal and corporate giving. In family-owned companies, corporate giving is generally directed by the owners and reflects the personal values and priorities of the family. As such, this study includes discussion and examples of these corporate-related entities.

Over the past two decades, there has been significant growth in corporate giving and broader CSR in Argentina, and there is now a deeply embedded interconnection between business and society in Argentina. Corporations are seen as the leaders in strategic giving and those interviewed believed that this is likely to be true for the foreseeable future. In a 2013 study conducted by GDFE and RACI, 73 percent of foundations with an endowment indicated that their funding came from a corporation.<sup>17</sup>

Experts largely attributed the growth in corporate giving to the growing practice of CSR in the country. Increasingly, corporate leaders have become aware of the competitive and other benefits of strong CSR programs that include social investing. Guillermo Murchison, CEO of the shipping and port service company *Murchison*, remarked, *“Twenty years ago, one never heard of CSR – we thought it was most appropriate to create jobs. Now, people are understanding the value of CSR and social investment.”*

Two foundations with strong corporate relationships that were repeatedly cited for their excellent work were *Fundación Perez Companc* (*Perez Companc Foundation*) and *Fundación Mundo Sano* (*Healthy World Foundation* or *Mundo Sano*). The *Perez Companc Foundation* was launched in 1959 and shares the same fundamental principles as the family-owned business group: it is centered on the community and on the empowerment of people to do their best. At the same time, it operates separately from corporate goals. As Juan Tomás Brest, executive director, explained, *“The family believes in keeping business separate. For us, social responsibility is a people thing, not a business thing.”*

### **Stronger Infrastructure Could Promote Giving**

In Argentina there is some, but limited, infrastructure to encourage and support philanthropy, particularly in comparison with Brazil, Colombia, and Mexico.

*GDFE* is the principal organization that promotes philanthropy in the country. Founded in 1995 to mobilize private resources in support of the public good, *GDFE* now has more than 40 member foundations. Several of those interviewed for this study were members, while others were aware, but uncertain, of its services and resources. Some suggested that *GDFE* could better support the sector's pressing needs and develop a more recognizable brand. One person noted, *“There is a spirit of cooperation in GDFE that is good. They need to work on relevant issues that all foundations can benefit from – principles, transparency, quality, frameworks for operating.”* Conversations with *GDFE* suggested that this would be a key focus for them in the coming years.

While it does not have a mission to promote philanthropy directly, the *Tzedakah Foundation* is an important part of the infrastructure for Jewish philanthropy. Created in 1991, it is the principal platform for Jewish collective giving. Marcelo Mindlin, a former chairman of the board of the Foundation, described its importance in mobilizing both giving and volunteering among the Jewish population: the Foundation has over 6,500 donors and 600 volunteers.

Two other organizations, *RACI* and *HELPArgentina* also aim to promote giving, but both focus primarily on encouraging and facilitating international, rather than domestic, philanthropic funding.

## Infrastructure to Support Giving and Social Investment

**Grupo de Fundaciones y Empresas** (Group of Foundations and Businesses, or GDFE). Founded in 1995 to mobilize private resources in support of the public good in the Argentina, GDFE now has more than 40 member foundations and corporations active in social investing. GDFE seeks to expand the presence and impact of philanthropy by providing tools and best practices for effective social investment, as well as promoting collaboration and public sector engagement.

**HelpArgentina.** Connecting international funders with high impact social organizations in the country, HelpArgentina provides services to corporations and foundations to develop strategic initiatives and promote effective engagement with the social sector. The organization has received nearly US\$8 million in philanthropic contributions, primarily from international donors, for the support of more than 140 domestic nonprofits.

**Red Argentina para la Cooperación Internacional** (The Argentine Network for International Cooperation, or RACI). Created in 2004 to strengthen Argentina's civil society sector and deepen its connection with international organizations and donors, RACI reaches more than 150 civil society organizations across the country helping them to expand the base of support from international organizations, foundations and Argentina's diaspora community. Its objective is to increase transparency and accountability of the third sector, with the aim of supporting more (and more effective) giving.

# Philanthropic Motivations and Influences

In Latin America and throughout the world, giving and social investing are highly personal practices that reflect a number of internal motivations and external influences. In Argentina, faith and family are particularly strong influences and for some, a sense of social responsibility or moral obligation is also a strong motivation for giving.

## **Family Values Underpin Giving**

As in all study countries, many individuals emphasized the important influence of family members, especially parents, and the values they had instilled in them. In Argentina, there was also a particular importance attached to legacy, with philanthropic giving and institutions honoring both family members and the values they embodied. Among survey respondents, over 75 percent said that family values and traditions were either very important or important, and approximately 50 percent indicated that legacy was either very important or important. The individuals interviewed also underscored the importance of both role models and legacy.

Several individuals and families have established foundations or programs to honor their parents and provide a legacy of their work. Silvia Gold, the daughter of Drs. Roberto and Miriam Gold, explained that her family established *Mundo Sano* more than 20 years ago, and she assumed the presidency after her father's death to continue his legacy. Roberto and Miriam Gold were pioneers in the pharmaceutical industry, and her father was particularly interested in childhood diseases. Over time, the Foundation has increasingly focused on tackling neglected diseases that impact both children and adults.

Darío Werthein, director of the *Werthein Group* and a board member of the *Fundación Leo Werthein* (*Leo Werthein Foundation*), explained, “*Two years ago the family formed the Foundation named after our father to continue his legacy. He was always trying to help, to change the lives, of those in need.*” He recalled, “*When I was 15, I went to the forest with my father and encountered a small house made of mud. The farmer was making bricks with his son who was my age, but about half my size. My dad bought all of his bricks and contracted with him to make more. He generated work, wealth, and better well-being. The Foundation is a way to carry on his approach of helping others.*”

An anonymous interviewee, who co-owns a major commercial company with his siblings, also highlighted the influence of his father on their current efforts social efforts. “*When our father passed away we started a crusade to encourage everyone to undertake ‘one small gesture for another.’ It started on our father’s birthday. In the companies we held conferences to share experiences. Now, everyone gets a half-day off work to do good works. Some companies now do this once a month. There is a registry that collects these good deeds. The collective impact is remarkable.*”

## **Faith-based Teachings Emphasize Helping Others**

In Argentina, faith-based values and traditions continue to be very strong influences on both the priorities and practice of giving. Among survey respondents, over 50 percent said faith-based values were either very important or important. Interviewees also strongly emphasized these same values.

Many interviewees referenced Catholic doctrine and teachings that emphasize the obligation to help others. Both the Church’s Gospel and social teachings emphasize concepts of human dignity and of solidarity, and compel Catholics to contribute to the rights and development of all people. In describing the work of the *Perez Companc Foundation*, Juan Tomás Brest emphasized, “*Deep Catholic values motivated the Perez’ whole approach to doing business. It has always centered on the people in the company, encouraged them to take care of each other, and empowered people to do their best. The Foundation is based on these same principles.*”

Similarly, the Jewish population in Argentina is strongly influenced by the Jewish doctrine of *tzedakah*. As indicated earlier, in Judaism, assistance to disadvantaged people is not considered an act of goodness, but an ethical duty and obligation. There are five levels of *tzedakah*, and the highest level is to help a person so that he can support himself on his own, without charity or external assistance.<sup>18</sup>

### **Social Responsibility Motivates Some to Give**

While individuals felt that there was a limited sense of social responsibility in Argentina overall, a few described their own personal sense of obligation to act for the benefit of society at large. Luis Ovsejevich, the founder and former president of *Konex-Canon Company*, who founded the *Fundación Konex* (*Konex Foundation*) in 1980, said, "*I have always thought we must act according to our social responsibilities in our community, doing our best so that the members of that society may develop most of their potential and eventually achieve all they deserve.*" Silvia Gold described her upbringing: "*I was educated in social awareness, and that is important to avoid a contradiction between our way of life and the community.*" As Social Development Manager at *Techint Organization*, Carlos Tramutola supervises the company's philanthropic efforts around the world, including *Fundación Agustín y Enrique Rocca* (*Rocca Foundation*). Tramutola described the Rocca family's long history of social responsibility and community commitment. Paolo Rocca, CEO of *Techint*, is among Argentina's most prominent businessmen and entrepreneurs. In the 1960s, his grandfather founded the first technical high school in the Buenos Aires province of Campana, and donated it to the state in 1978.

# Philanthropic Priorities and Purposes

Study participants identified a wide variety of philanthropic interests, but the highest priorities clustered into a fairly narrower set of issues. Among survey respondents the top three priorities were education (90%), health (44%), and arts and culture (also 44%). Among those interviewed, these three, with the important addition of faith-based organizations and issues, also appeared to be the leading areas of interest. Other topics included the environment, housing, moral leadership, and several others.

In notable contrast, when asked what *should* be the top priorities for philanthropy almost 80 percent of survey respondents identified international and global affairs, and almost 70 percent said entrepreneurship. While 30 percent indicated that religion was a priority, only 10 percent thought that education and health were main concerns, and none indicated arts and culture as a priority.

The discrepancy between individuals' current priorities and those that they believe should be the most important philanthropic areas is quite profound, especially compared with other countries in the study. While it is beyond the scope of this study to offer clear explanations for such differences, it is possible that it reflects the belief that government, not private philanthropy, should be responsible for basic services such as education and health; that people are eager to encourage Argentina's future as a strong global player; and that entrepreneurship is viewed as a strong private sector approach to national development and prosperity.

## **Education Key to Individual Opportunity and National Prosperity**

Similar to the findings in other countries, education was the top priority among study participants in Argentina. Education is described as key to individual advancement and critical for the continued growth and prosperity of the country. Put succinctly, there is a widely shared belief that education has the power to be transformative.

Much of the educationally-focused philanthropy focuses on providing educational access and quality for poor or marginalized youth. In addition, there is a notable emphasis on building new educational institutions to fill perceived gaps in the educational infrastructure.

## *Education for the Underserved and Disadvantaged*

Several individuals and foundations have focused on providing quality education to underserved and disadvantaged youth. A number of individuals mentioned their support for *Cimientos*, a nonprofit organization that aims to prevent poor students from dropping out of school by providing one-on-one tutoring and coaching. Eduardo Franck, president of *Cimientos*, said, "*The children we work with are among the poorest in the country, but they have immense potential. We work with education ministers, schools, and teachers to identify those kids and give them the support they need to be successful.*" According to their most recent data, 48 percent of the students in their program complete high school without interruption or repeating a grade versus only 15 percent of their peers, and they are often the first in their families to graduate from high school. The *Perez Companc Foundation* also seeks to help youth stay in school, providing over 2,500 scholarships a year, many to children of the corporation's employees.<sup>19</sup>

In addition, there is a unique partnership between two Argentine foundations that addresses the challenge of quality education for rural populations. The *Fundación Bunge y Born (Bunge and Born Foundation)* was created in 1963 on the occasion of *Bunge and Born Corporation's* 80<sup>th</sup> anniversary in Argentina. In 1973, recognizing the critical lack of quality education for rural youth, the Foundation began a program to provide books and educational materials in isolated rural primary schools. In 1999, the *Perez Companc Foundation* joined as a strategic partner, and since then each institution has contributed half of the program's funding. While initially the program provided support materials, it was overhauled in 2009 to better address systemic challenges facing rural educators. The Foundations now jointly fund distance training courses for teachers and online support and training in school management systems to address challenges specific to teaching in rural or isolated environments.

### *New Institutions for Improved Education*

Perceiving a critical gap in Argentina's educational infrastructure, several individuals and family-based foundations have been instrumental in establishing new national educational institutions. The *Perez Companc Foundation* donated a new campus to support the establishment of the IAE Business School at *Universidad Austral* (Austral University) and has continued to support its growth and development for more than 10 years, including the training of 40 professors in the United States and Europe. In another example of institution building, Guillermo Murchison talked about his reasons for starting the *Universidad San Andrés* (San Andrés University) 25 years ago. He felt that Argentina needed a university that emphasized values and social work, especially training professionals who would be empathetic and principled: "*There is little use in having brains without values.*"

The *Rocca Foundation* recently began an ambitious initiative to develop new, innovative technical schools, not just in Argentina, but in several other countries where the *Techint Organization* operates. Carlos Tramutola described how, when he was hired as Social Development Manager, the Foundation was investing about US\$25M around the world and funding 300–400 programs. However, it was uncertain about the impact of the various and diverse contributions. The Foundation was willing to invest more, but wanted to have a narrower focus, better strategy, and greater impact. Thus, it decided that education was the way to achieve real impact. "*The problems in education tend to be similar in many countries: low salaries, unions, limited principals' training and autonomy, low teacher motivation, and finally not enough caring about whether the kids learn. So some solutions can be developed and implemented. We can start a pilot in one place, then expand to others.*" The Foundation chose to focus specifically on technical schools, which are viewed as critical for national development and also serve as an opportunity for individual advancement. The Foundation has begun building a network of seven technical high schools – modeled on charter schools – in seven different countries. The schools are designed for a range of students, with sliding fee scales depending on the ability to pay. The first school was opened in Campana in 2013; the next school is planned to open in Monterrey, Mexico in 2015. In addition, the Foundation helps public schools through STEP (Strengthening Technical Education Program), teacher training, infrastructure improvement, new equipment, and internships.

### **Institutions and Research to Promote Health Equity**

A number of individuals, their families, and their philanthropic organizations are focused on health concerns and health care in Argentina. Interestingly, similar to the educational investments described above, a number of these initiatives focus on establishing or developing institutions; others focus on health research and health services. They all share, as a fundamental goal, the extension of equitable and quality health care for all Argentines.

The *Perez Companc Foundation* and family have been instrumental in establishing new health institutions and improving the services of existing health facilities. The Foundation started both a medical school and hospital just outside of Buenos Aires. Also, the Foundation is developing a trauma system for Argentina, in partnership with University of Miami. Eight hospitals in Argentina are now participating in the trauma system. In addition, Alicia Perez Companc – sister of Gregorio and Jorge Perez Companc – together with other donors established the *Fundación para la Lucha contra las Enfermedades Neurológicas de la Infancia* (*Foundation for Combating Childhood Neurological Disease* or *FLEN*), which included a new facility, new technologies, research programs, and training programs. Following her death, the *Perez Companc Foundation* has continued to sustain this legacy.

*Mundo Sano* was founded with the aim of improving the quality of life in Argentina through better health care. The Foundation's initial focus was on Chagas disease, which continues to affect an estimated 2.5 million people in Argentina and eight to ten million throughout all of Latin America. Roberto and Miriam Gold were inspired by their pharmaceutical activities and commitment towards society to create a foundation through which they might help eliminate this highly infectious disease. In 2000, when Silvia Gold became president, the Foundation expanded to focus on prevention and control of other parasitic and transmittable diseases, including dengue fever, malaria, and several others. Today, its goal is to facilitate equal access to health and welfare among people who are vulnerable to these otherwise avoidable diseases. The Foundation is an active participant in a highly respected international coalition, which includes the Bill & Melinda Gates Foundation, the World Bank, the WHO, and the major pharmaceutical companies that coordinate the

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Andrés von Buch

world's largest project on controlling neglected diseases. The group has funded numerous research programs in the field and has also been involved in the development of new drugs.<sup>20</sup>

In addition to its educational efforts, the *Bunge and Born Foundation* also focuses on a number of neglected diseases, including Chagas disease. In 2011, the Foundation financed a virtual training course for doctors, biochemists, and professional nurses who were working in Argentine regions where Chagas is endemic. The course trains people in the management of problems related to the disease from a clinical and community perspective. It also donates medical equipment to hospitals and other health institutions. A significant part of the Foundation's efforts is also to recognize and support scientific research. *Bunge and Born Foundation* provides annual awards, subsidies, and grants to Argentine scientists, including those who focus on research that will benefit the health of the community.

#### **Interest in Social Entrepreneurship Growing**

The field of social entrepreneurship has been growing in Argentina and is attracting increased attention from individuals and social investors. While few of the individuals interviewed for this study mentioned current support for social entrepreneurs, there was enthusiasm about the approach and its potential impact. Among survey respondents almost 70 percent said supporting social entrepreneurship should be a priority for philanthropy in the future.

As discussed in the overview chapter, there are several likely reasons for the growing interest in social entrepreneurship. First, the work of social entrepreneurs focuses on large-scale and long-term social change, and the potential for sweeping impact with lasting, transformational benefit to society, appeals to many. Second, the interest in social entrepreneurship parallels and is probably influenced by the interest in business entrepreneurship. Both seek to improve systems by inventing and disseminating novel approaches and solutions that create new value. Moreover, both use similar business-based approaches to implement their activities. Third, there may be something inherently appealing about entrepreneurs; since they are often people with vision, commitment, and creative ideas about how to improve the lives of many.

Given the philanthropic environment in Argentina, there may be additional reasons for this interest in supporting entrepreneurs. In a culture where trust in institutions is quite low, investing in particular individuals, rather than supporting nonprofit organizations, may be far more appealing. Additionally, in a country with a strong belief that the provision of social welfare is the responsibility of the government, supporting innovation rather than basic services may seem like a particularly appropriate role for philanthropy.

Finally, there are several global organizations currently operating in Argentina, including Ashoka, NESsT, and Endeavor, all of which promote business and social entrepreneurship. Philanthropic sector expert and Director of the *Centro de Innovación Social* (Center of Social Innovation) at the School of Administration and Business at San Andrés University, Gabriel Berger, noted that Endeavor has played a tremendous role in promoting the importance of business entrepreneurship in recent years and that this may have influenced some people to look more closely at social entrepreneurship, as well.

Andrés von Buch is an important advocate for social entrepreneurship. He personally supports individual social entrepreneurs and helped to start the Center of Social Innovation. He commented, “*Social entrepreneurship is all about impact. The social entrepreneurs that I support have to convince me of the value of their work. I pay attention to what they accomplish.*” He also commented on the growing interest among others. When Ashoka sought to raise US\$100,000 to support social entrepreneurs, von Buch was able to garner support from 10 people to meet this annual target and ensure ongoing sustainability through multi-year commitments.

Several people commented on the younger generation's interest in social entrepreneurship and innovation. Gabriel Berger shared his perspective that “*the new generation of wealth holders are not philanthropically inclined, but they are attracted to social entrepreneurship. They find these new ideas to solving social issues more appealing than funding charity.*” Another expert suggested that the younger generation might see more demonstrable impact in social entrepreneurship.

### **Faith-based Giving Remains a Priority**

Many study participants support faith-based organizations, generally as individuals rather than through a foundation. Among survey respondents, approximately one-third gave to religious groups or institutions and several indicated that their largest gifts supported religious institutions. Those interviewed also talked about supporting organizations related to their faith. Faith-related giving includes two strong aspects: direct support for religious institutions and programs as well as support for the community work that faith-based organizations undertake to benefit poor or marginalized populations. Examples of direct support include contributions to specific churches, individual priests, seminaries, and to the renewal of the Catholic Church in Argentina. Similarly, the Jewish community supports synagogues and their religious programs.

Several individuals also described their support for the community work undertaken by faith-related organizations. They emphasized that they give not just because they are faith-based organizations, but because they believe these organizations are doing good work. While confidence in many nonprofit organizations may be low, there is a high degree of trust in faith-based organizations and the work they are accomplishing. Guillermo Correa, executive director of RACI, commented, *"People will continue to give through the Church. They trust the Church and the priests. There is very little trust in other institutions."* Although not a Catholic, Guillermo Murchison explained his own reasons for supporting Church-related organizations, *"I support the Catholic Church in many ways. But I am not just giving 'to the Church.' I support Catholic organizations because they do good work; they are having an impact in the community."* Similarly, several individuals mentioned the high level of trust in the *Tzedakah Foundation* and the broad support for the Foundation's non-denominational, community-based programs that help the poor and disenfranchised.

# Philanthropic Platforms and Strategies

Throughout the region, individuals and families are employing and exploring a variety of platforms and strategies to conduct their giving and increase its impact. In Argentina it seems likely that much giving is undertaken directly, rather than through an institutional platform. At the same time, this set of interviews highlighted a number of foundations and philanthropic institutions using a variety of strategies such as direct service programs, awards and prizes, and partnerships.

## Individual Giving Remains Prevalent

While many individuals participating in this study undertook at least part of their giving through a foundation established by them, their family, or a family-led corporation, most generally believed that individuals – not institutions – have done most of the giving in Argentina. The small number of identified foundations in Argentina suggests that if giving is taking place, this conclusion is probably correct.

In addition, much of the giving in Argentina appears to be undertaken anonymously, which is likely associated with the strong faith-based underpinning of much philanthropy. As described above, according to the Judaic concept of *tzedakah*, the second highest level of giving is one in which the donor does not know the one who receives the assistance and, in turn, the person who receives does not know the donor. The *Tzedakah Foundation* is thus an important collective giving platform because there is no direct link between individual donors and individual beneficiaries. Several individuals observed that few Jewish families in Argentina have established private foundations. It is possible that the concept of *tzedakah*, the importance of anonymous giving, and the existence of a highly respected collective giving platform all limit the number of private foundations.

In the Catholic Church, while there is not a strong doctrine to give anonymously, many Catholics feel that assisting the poor is undertaken as part of one's faith. For, according to the Church's teachings, it is right to help those in need and it should not take place to gain public recognition, which could detract from the benevolent nature of the assistance.

At the same time, there are additional reasons for anonymity in giving. Individuals pointed out that highly visible and significant gifts drew attention to one's wealth, which is not looked favorably upon in the culture and could also raise personal security risks.

## Corporations Dominate Foundation Landscape

Notwithstanding the paucity of data, there is a general consensus that most foundations in Argentina are institutionally related to a corporation, as well as a view that there are very few completely independent foundations. Experts who were interviewed expect that this trend will continue and that most philanthropic growth will come from the corporate sector. These experts, as well as foundation leaders, also described a trend towards professionalization within corporate foundations and, among some, an inclination toward aligning corporate foundations more closely with their corporate goals.

As described earlier, it is widely acknowledged that the distinction between corporate and family giving is often unclear, and there were divergent views among study participants on the most appropriate approach. Some interviewees described corporate-related foundation platforms through which the family made decisions personally, with the foundation's giving not normally aligned with corporate strategy. However, they also believed that the strategy is often strongly associated with the communities or regions in which the company operates. As mentioned earlier, the *Perez Companc Foundation* views social responsibility efforts as "a people thing," focusing its efforts on impacting individuals and communities, rather than aligning purely with corporate goals. In 2001, the leadership of the *Bunge and Born Foundation* intentionally separated the Foundation from the company to allow for greater independence and professionalism in achieving its mission, although the two entities still operate closely. Jorge Born Jr., president of the Foundation, described, "*It is a company foundation without the company. However, we – the Foundation – develop a number of initiatives with the company, support its CSR programs, and work very closely together in its sustainability initiatives. The company is also a significant donor to the Foundation's programs.*"

**“Fifteen years ago, we operated alone. In the late 90s after the floods we created an aid program and learned we had the capacity to work with others. We moved from owner to catalyst to partner. We think the best we can do is to be part of a network.”**

Juan Tomás Brest

Other foundations may be shifting towards greater corporate alignment. As noted previously, CSR activity in Argentina is growing. While currently CSR activities are generally carried out by company staff and are not related to the work of the corporate foundation, some corporate owners are considering whether their foundations should be more closely aligned with CSR goals and activities.

#### **Foundations Demonstrate Increased Professionalism**

Foundation leaders and philanthropic sector experts remarked on a trend towards professionalization in foundations. Foundation leaders were quick to acknowledge that many such entities began with more traditional giving to charities, but since then have intentionally developed a strategic focus and professional approach. Silvia Gold became president of *Mundo Sano* with a mandate to professionalize it. She explained, “*My experience is as an entrepreneur, so we approach programs the same as we do our business: we plan the strategy, implement the work, and measure the change. We do rigorous field research to offer evidence for better health decisions.*” In another example, when Jorge Born Jr. joined the *Bunge and Born Foundation* in 2007, he wanted to bring a more business- and outcome-based approach to all its work. He brought in an outside executive director to professionalize and manage their programs, which resulted in significant changes and far greater efficiencies. Notably, they developed a major evaluation effort, led by an external consultant, through which they measure and score every program using the same framework. Born explained “*the results led to a complete overhaul of the Foundation’s projects. Now, we are much more focused on reaching actual outcomes and achieving impact.*” The *Perez Companc Foundation* provides a third example. Juan Tomás Brest explains that he was hired in 1993 when the founder’s eldest son took over the leadership of the Foundation, launching a new era of internal professionalization, including new approaches to governance, strategy, management, and partnerships.

#### **Philanthropic Institutions Favor Operating Programs**

As in other countries, most Argentine foundations have established and operated their own major initiatives and as they professionalize, the trend towards implementation perhaps becomes even more predominant. One expert estimated that there might be at most 20 percent grants being made by corporate foundations. A few individuals in this study have a firm commitment to support nonprofit organizations: One philanthropic couple who wished to remain anonymous said, “*We work with environmental NGOs. We believe in working with them because they, and not we, are specialists in their topics.*”

As seen in other countries, a direct operating model can often lead foundations to attract or actively seek funding from multiple organizations and people. For example, the *Bunge and Born Foundation* was funded entirely by the corporate group when it was originally founded, but over time, has diversified its income and been able to attract new donations, which Jorge Born Jr. credits to the Foundation’s demonstrated impact and professionalism. He further elaborated that 100 percent of social investment initiatives are funded in partnership with other philanthropists or foundations that have shared objectives with the *Bunge and Born Foundation* in order to increase (doubling or sometimes tripling) the impact of the Foundation’s investment.

Experts and observers of the philanthropic landscape acknowledged that fundraising practices can greatly increase program impact. At the same time, there is a concern that such fundraising has sometimes limited the potential funding for other independent civil society organizations, with the nonprofits’ being put in the position of competing with endowed foundations for limited resources.

**“I instituted the Konex Awards with the intention of granting them on a yearly basis to distinguished persons in every national field. The purpose was to ‘sow in the present and reap in the future,’ rewarding those with great accomplishments and stimulating Argentina’s youth toward great achievement.”**

Luis Ovsejevich

**“We should not always start our own projects; we should join networks and find people who know about the issues.”**

Anonymous

#### **Awards and Prizes Recognize Achievements**

Several foundations have long-standing programs that provide awards and prizes in recognition of professional achievements and accomplishments. It appears that they are viewed as an effective way to encourage development, talent, and leadership in a given field. Two important and distinguished award programs are given by the *Konex Foundation* and the *Bunge and Born Foundation*.

The *Konex Foundation* has given awards for 35 years and in that time has conferred a total of 3,500 awards. The Konex Awards, created in 1980, were conceived as a way to reward Argentine individuals and institutions in different fields. Luis Ovsejevich explained, “*I instituted the Konex Awards with the intention of granting them on a yearly basis to distinguished persons in every national field. The purpose was to ‘sow in the present and reap in the future,’ rewarding those with great accomplishments and stimulating Argentina’s youth toward great achievement.*” The program includes awards to outstanding individuals in the areas of sports, entertainment, visual arts, science and technology, literature, popular music, humanities, communications and journalism, and classical music, as well as a separate award to recognize exceptional institutions, communities, or companies.

The *Bunge and Born Foundation*’s Prize for Argentine Researchers, given every year since 1964, recognizes individuals who have made significant contributions to progress and knowledge in the field of the sciences. The Foundation’s founders viewed scientific research and progress as an important element in Argentina’s development, and the award was established to shine a spotlight on the country’s scientific achievements and serve as a beacon for young scientists. In 2000, the Foundation established a second prize, the Incentive Prize for Young Scientists, which aims to discover and promote talent of young and emerging researchers who have already made significant contributions to their field.

#### **Partnerships and Networks Increase Impact**

There is a range of views on the value and feasibility of philanthropic partnerships in Argentina. Most of those interviewed had not developed substantial partnerships, with some notable exceptions. As described earlier, the *Bunge and Born Foundation* and the *Perez Companc Foundation* have had a long-term partnership to improve the quality of rural education in Argentina, and *Mundo Sano* is part of a large global partnership designed to address neglected diseases.

A couple of individuals emphasized the importance of partnerships and networks to scale impact. Discussing the *Perez Companc Foundation*’s work, Juan Tomás Brest observed, “*Fifteen years ago, we operated alone. In the late 90s after the floods we created an aid program and learned we had the capacity to work with others. We moved from owner to catalyst to partner. We think the best we can do is to be part of a network.*” In an anonymous interview, another individual also emphasized the importance of collaboration, “*We should not always start our own projects; we should join networks and find people who know about the issues.*”

In contrast, some individuals noted the difficulty and limitations of partnerships, particularly those involving government. As one individual active in the health sector explained, “*There is a problem when working with the government. They want to say, ‘Give us money, give us in-kind contributions, and don’t bother us.’ But we want to contribute more. We want to lend expertise, help with programs, and be engaged with technical assistance.*” Another person emphasized that, while official partnerships can prove difficult, it is more important to have good relations and open communications with government in order to bring ideas and enact change at the policy level.

# Looking Ahead: Challenges and Opportunities

Many of the individuals interviewed in Argentina are engaged in thoughtful, highly strategic, outcome-oriented philanthropy and social investment. Their efforts are often focused on the country's critical social challenges, and aim to provide quality education, health care, and other services to the country's poor, vulnerable, or marginalized communities, with an overarching goal of providing equal opportunities for all.

Despite the exemplary philanthropic programs, most of the wealthy individuals and experts interviewed believed that philanthropy plays a very limited role in the country. They also enumerated several significant obstacles to developing more philanthropy and social investment in the near future. These included the widely held view that the government – not private individuals – should be responsible for providing for the social welfare of its people. In addition, they felt that, because of these attitudes, the consequent policy environment does not encourage philanthropic practice or growth, which in turn leads to a very weak philanthropic culture.

Notwithstanding these significant obstacles, individuals expressed some cautious optimism that, with the right inputs, philanthropic giving and social investment could evolve in Argentina. They noted that in the last 10 years Argentina has enjoyed strong economic growth, significant accumulation of private wealth, and the re-emergence of a democratic system – perhaps all prerequisites for a robust philanthropic sector. Many underscored that improved political attitudes would need to be the cornerstone of any change. At the same time they suggested that more evidence of philanthropic impact, advocacy from current social investors, and greater tax incentives could encourage greater levels of philanthropic engagement.

## **Perceptions of Sector Roles are Strong**

Perhaps more than in any other country, interviewees emphasized the challenges posed by strongly held opinions regarding the appropriate roles for the state and civil society. As described earlier, the government, and much of the public, believes that it is the government's responsibility to provide social services, address social challenges, and generally provide for the welfare of all Argentines. The government – and many people – still envisions a very limited role for private social investment and the nonprofit sector. A leader of one prominent foundation explained, *"The attitude of the government is that the government does welfare, the private sector does private interest. There is a sense that foundations shouldn't exist, and that government should take care of all the issues."*

Other individuals described the broader context in which this attitude prevails. They explained that the current government wants to have strong central control over the entire private sector, including for-profits and nonprofits. Several emphasized that the government's desire to maintain control is reinforced by public expectations of government-provided social welfare. Several interviewees of different generations mentioned that this generation is growing up accustomed to a strong social welfare system; a prominent businessman said, *"Argentines expect a lot more from government – free education, health, basic support for the poor, network of social services."* Some attributed the lack of giving to this dependency, indicating that people see less and less reason to support private social services.

Some individuals expressed optimism, or at least hope, that these perceptions could be shifted. Marcelo Mindlin, president of *Fundación Pampa Energía (Pampa Energy Foundation)*, noted, *"Big change has to happen within the government, but as individuals, perhaps we can help encourage this."* Several others echoed this sentiment and shared related views, particularly around the value and importance of civil society and civic action; the power of individuals to achieve collective impact and influence policy; and the benefits of private investment (i.e., flexibility, efficiency) in solving social issues.

### **Policy and Tax Environment Needs Improvement**

Given the government's attitude toward private sector engagement in the provision of public goods, it is little surprise that the legal and tax policy environments in Argentina are not conducive to philanthropy and are thus considered by many to be a major challenge to the development of the philanthropic sector. As noted in an earlier section, there are limited tax incentives for giving and substantial bureaucratic hurdles to establishing philanthropic institutions.

Study participants suggested that the current government was unlikely to institute significant policy changes, while they were optimistic that if there were changes, it could help to unleash increased philanthropic giving. Although a majority of survey respondents said the policy environment was one of the top three challenges, half said that more favorable tax incentives would motivate them to give more.

### **Knowledge, Advocacy, and Infrastructure Crucial to Sector Development**

As noted earlier, there is little knowledge regarding the scope, scale or impact of philanthropy and social investing in Argentina. Also, there are few individuals or organizations engaged in direct advocacy and development of philanthropy. Still, there may be opportunity to increase giving by creating more knowledge, demonstrating impact, providing space for peer engagement, and generally strengthening the infrastructure for philanthropy.

As in other countries, many individuals suggested that it would be invaluable to collect and communicate more knowledge about what people have been doing, particularly with respect to demonstrating impact. Over 70 percent of survey respondents said that more evidence that giving could help facilitate genuine change would motivate them to give more. According to Marcelo Mindlin, "*in order to increase philanthropy, we need more knowledge about what people are doing.*" Similarly, 70 percent of survey respondents averred that advocacy from current philanthropists could help significantly. A number of individuals spoke about the benefits of a stronger infrastructure to spearhead these issues and provide more opportunities for peer engagement and learning of best practices.

### **Capacity Building for a Stronger Civil Society**

Several individuals noted that the lack of confidence in civil society was a challenge to philanthropic growth. While a couple of people said that there was a lack of trust in nonprofit organizations, most described the challenge as a lack of capacity, professionalism, and efficiency. One social investor working in health said, "*The problem with the sector is lack of efficiency, not honesty. NGOs are not showing results, they are not validating results. So they are not offering the best destination for the money.*" Eduardo Franck of *Cimientos* said, "*We are bombarded by NGOs. It is not easy to draw up a list of big NGOs.*" Added Guillermo Murchison, "*There are lots of NGOs; many people want to start them, but what they should be doing is forming groups to work together and consolidate and coordinate. Moreover, there is very little analysis of results, and we need more of this.*"

Many cited the opportunity to strengthen and professionalize NGOs, and some of those interviewed are actively doing so. One foundation leader said, "*We realized that just giving them fundraising skills was not enough – we need to create a giving community.*" He discussed how the foundation's board underwent a mentality shift, prompting the foundation to promote and provide support for capacity building for its partners and beneficiary institutions, ranging from fundraising skills to technical assistance and alliance building. It is possible, though not guaranteed, that with significant capacity building work more individuals and organizations would be inclined to support individual organizations.

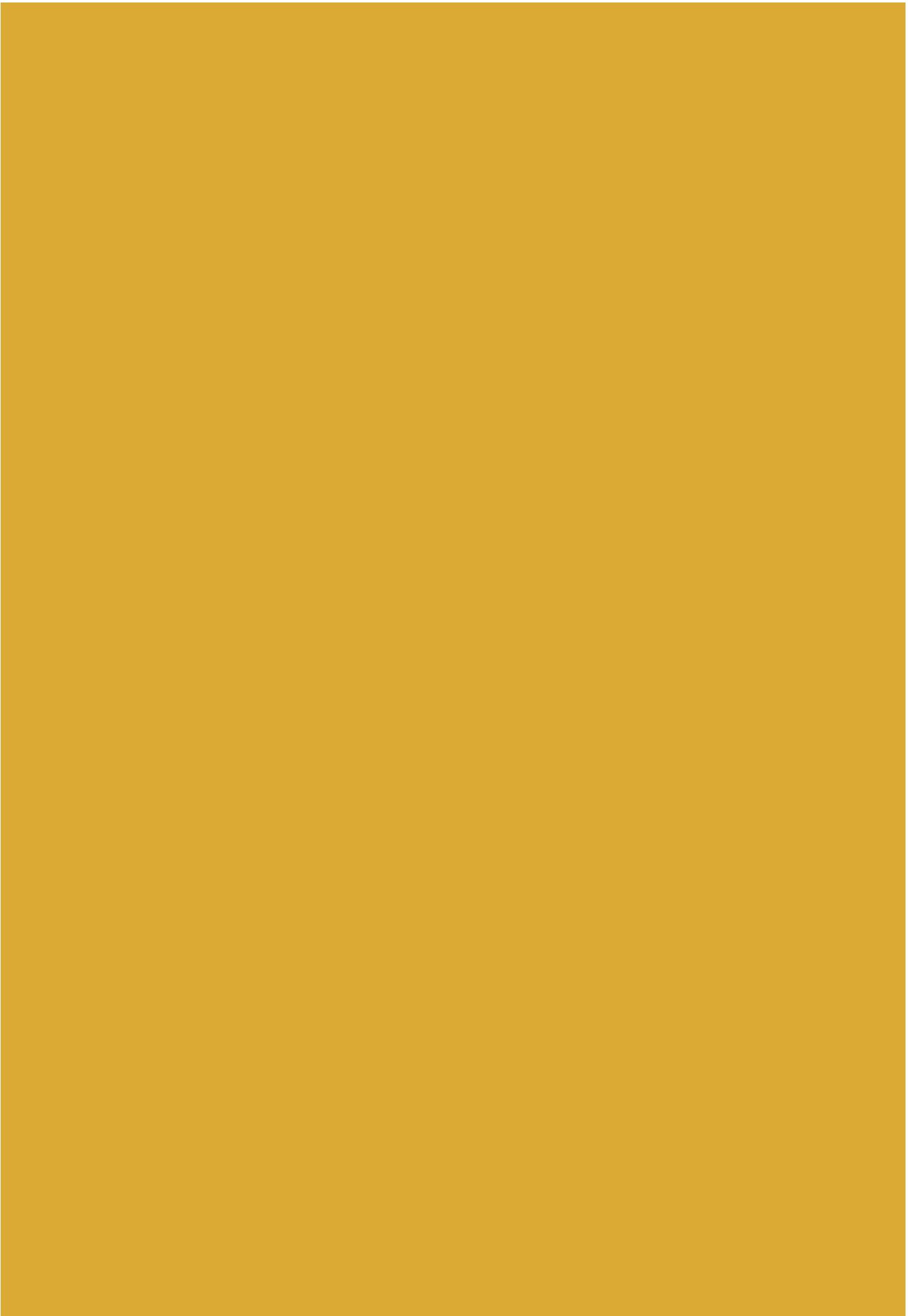
### **A Culture of Social Responsibility Emerging**

Almost everyone interviewed expressed the belief that there was a limited culture of giving in Argentina. While acknowledging that there was faith-based and charitable giving and some limited social investment, individuals believed that it was far below the capacity of individuals to give. "*In Argentina, it is very cheap to be considered a philanthropist. US\$20,000 is considered significant philanthropy for many,*" said expert Gabriel Berger. Low levels of giving may be attributable in part to the attitudes around sector roles and the unfavorable tax environment described above, but the reasons are certainly more complex and multidimensional.

It is possible that the lack of giving may be less about the culture of philanthropy and more about the culture of social responsibility, citizenship, and solidarity. Argentina has gone through recent and extensive political conflict, internal violence, and economic instability. As one individual noted, “*We have lived through an era where we could only focus on ourselves and our families. We needed to keep low profiles. It was dangerous to be too engaged.*” Experts underscored this sentiment, indicating that Argentines are generous, but that society is just now beginning to realize a true sense of political and economic stability. They noted that translating this stability into real increased levels of giving and social investing will likely be a slow process.

There is also palpable optimism about developing more social responsibility and social investment in the country, particularly among the next generation. One very prominent businessman, who wished to remain anonymous, said that there needed to be active encouragement of the new generation to become engaged, but acknowledged it could take 15–20 years to change the culture. Another corporate leader said, “*We have to create a giving community. We need to figure out how to convene and convince younger people to give, to become donors. They are our country's future.*”

- <sup>1</sup> “Social Progress Index 2014,” The Social Progress Imperative, <http://www.socialprogressimperative.org/data/spi#performance/regions/dim3/dim1,com1,com4,dim2,dim3>
- <sup>2</sup> “GDP (current US\$),” World Bank, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
- <sup>3</sup> Sergio DellaPergola, World Jewish Population, 2013, (New York: Berman Jewish Databank, 2014), 49–50.
- <sup>4</sup> Francisco Goldman, “Children of the Dirty War,” *The New Yorker*, March 19, 2012, <http://www.newyorker.com/magazine/2012/03/19/children-of-the-dirty-war>
- <sup>5</sup> “Poverty & Equity: Argentina,” World Bank, <http://povertydata.worldbank.org/poverty/country/ARG>
- <sup>6</sup> “GDP growth (annual %),” World Bank, <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>
- <sup>7</sup> “Poverty & Equity: Argentina,” World Bank, <http://povertydata.worldbank.org/poverty/country/ARG>
- <sup>8</sup> “Unemployment, total (% of total labor force),” World Bank, <http://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS>
- <sup>9</sup> “GDP growth (annual %),” World Bank, <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>
- <sup>10</sup> “GDP per capita (current US\$),” World Bank, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>
- <sup>11</sup> “Income share held by highest 10%,” World Bank, <http://data.worldbank.org/indicator/SI.DST.10TH.10/>
- <sup>12</sup> “High Net Worth Trends in Argentina 2014,” WealthInsight, April 2014, [http://www.researchandmarkets.com/research/xk57gt/high\\_net\\_worth](http://www.researchandmarkets.com/research/xk57gt/high_net_worth)
- <sup>13</sup> “The World's Billionaires,” *Forbes*, [http://www.forbes.com/billionaires/list/#tab:overall\\_country:Argentina](http://www.forbes.com/billionaires/list/#tab:overall_country:Argentina)
- <sup>14</sup> “What is TZEDAKAH?” Fundación Tzedaká, <https://www.tzedaka.org.ar/es/la-fundacion/que-es-la-fundacion/tzedaka-su-significado>
- <sup>15</sup> GDFE and RACI, *Estudio de Inversión Social Privada Local y Cooperación Internacional en la Argentina*, (N.p.: GDFE and RACI, 2013), 17–19.
- <sup>16</sup> César Murúa and Juan Carballo, *Defending Civil Society: A Study of the Laws and Regulations Governing Civil Society Organizations in Argentina*, (Washington, D.C.: World Movement for Democracy, 2011).
- <sup>17</sup> GDFE and RACI, 17.
- <sup>18</sup> Fundación Tzedaká, <https://www.tzedaka.org.ar>
- <sup>19</sup> Cimientos, [http://cimientos.org/pdf/info\\_in\\_english.pdf](http://cimientos.org/pdf/info_in_english.pdf)
- <sup>20</sup> Mundo Sano, <http://www.mundosano.org/>

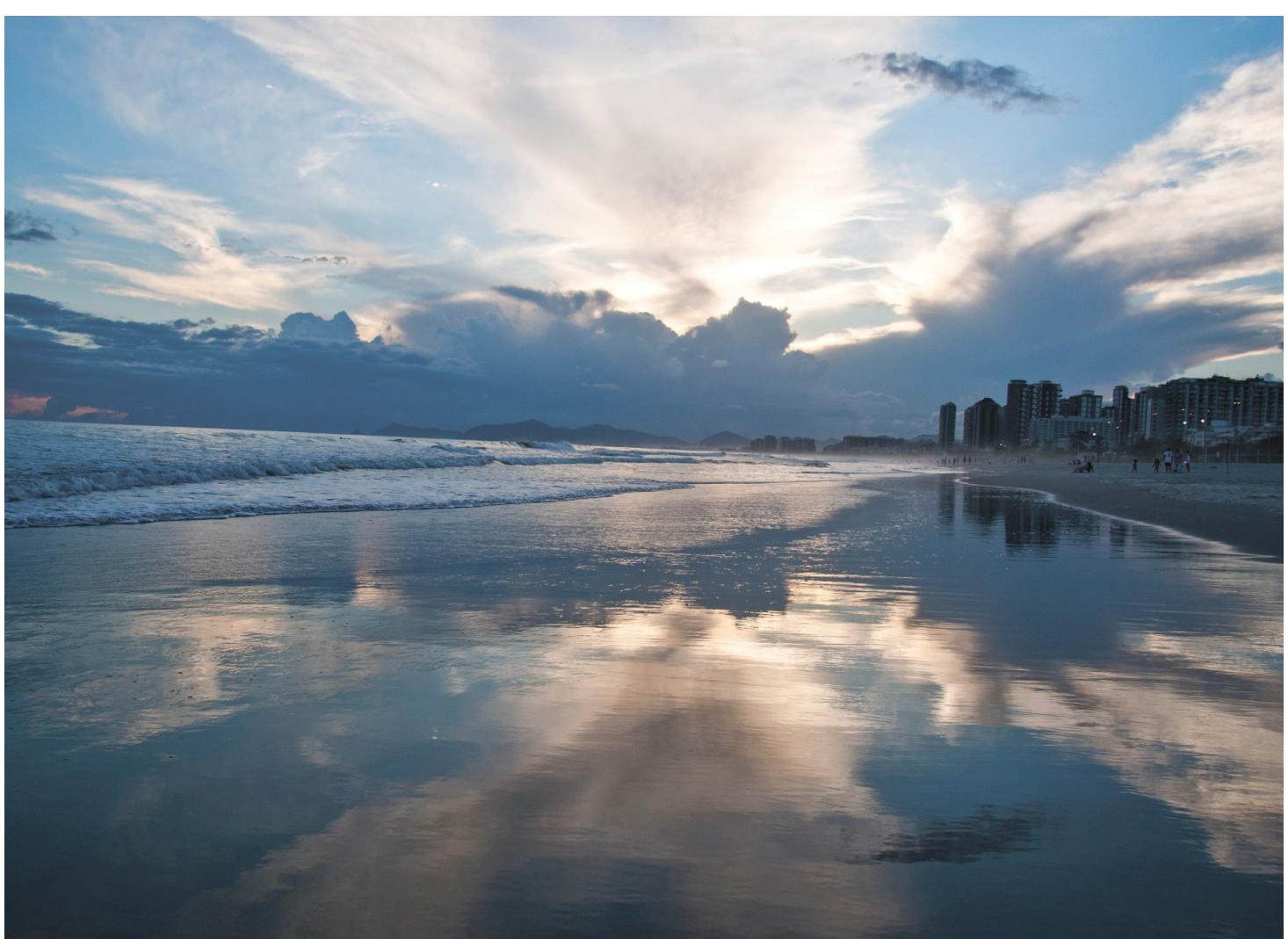




# Brazil

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Brazil at a Glance

**Population**

200.4 million

**GDP**

US\$2.246 trillion

**GDP growth rate**

2.5%

**GDP per capita**

US\$11,208

**Gini index**

52.7 (2012)

**UNDP Human Development Index**

0.744 (79<sup>th</sup> of 187 countries)

**Social Progress Index**

69.97 (46<sup>th</sup> of 132 countries)

**Poverty headcount ratio at US\$4/day**

23.8% (2011)

**Poverty headcount ratio at US\$2/day**

8.2% (2011)

**Poverty headcount ratio at national poverty line**

8.9%

**Unemployment total (of total labor force, national estimate)**

6.7% (2011)

All data from World Bank and 2013 unless otherwise noted.

# Brazil: Country Context

With a GDP of US\$2.246 trillion in 2013, Brazil is the world's seventh wealthiest economy.<sup>1</sup> It is the largest country in area and population in all of Latin America and is rich in both natural and human resources. When twenty years of military rule ended in 1984, it ushered in the current period of democracy and economic liberalization. Over the past 30 years the government has instituted numerous policies to promote economic growth and reduce public spending. Despite an economic slowdown in 2011 and 2012, when GDP growth decelerated from 7.5 percent to 0.9 percent, the past two decades have witnessed steady economic growth and significant improvements in social well-being.<sup>2</sup>

The country's economic growth brought about concomitant increases in private wealth, which is highly concentrated in a small portion of the population. According to 2013 World Wealth Report data, there are 172,000 HNWIs in Brazil holding more than US\$4 trillion in wealth.<sup>3</sup> In the same year Forbes named 124 individuals in Brazil as billionaires. Their combined wealth was reported to be R\$ 544 billion (US\$206 billion), or nearly 10 percent of Brazil's 2013 GDP.<sup>4</sup> Together, the 15 richest families in Brazil hold wealth worth an estimated US\$122 billion or about 5 percent of the country's GDP.<sup>5</sup> Many of the country's largest companies (including 6 of the 10 largest conglomerates) are family-controlled.

Over the last decade, Brazil's poverty has decreased dramatically. This is generally attributed to national economic policies focused on growth and the *Bolsa Família* (Family Grant) program, the world's largest conditional cash transfer program, which has reached approximately one-fourth of the country's total population.<sup>6</sup> From 2003 to 2009, the number of Brazilians living in poverty (on less than US\$4/day) fell by more than 15 percent to 27 percent. And the rate of those living in extreme poverty (on less than US\$2/day) dropped from 19 percent to less than 10 percent over the same period.<sup>7</sup> However, while livelihoods have generally increased, Brazil continues to experience pronounced income disparities. Brazil's Gini index of 52.7 is second highest in Latin America and is 14<sup>th</sup> overall in the world.<sup>8</sup> While economic liberalization has ignited the business sector, personal gains have been unequal and the country's tax and social policies have not mitigated economic and social inequalities.

# Philanthropy and Social Investment in Brazil: Key Features and Trends

Centuries of cultural traditions, religious norms, political influences, and economic conditions have significantly influenced today's environment for private giving and social investment in Brazil. In recent decades, severe cutbacks in government services, widespread political reform, and changes in government policy have redefined the roles and responsibilities among the state, the commercial marketplace, and civil society. These changes have generally created more room for individuals and nonprofit organizations to become more active and engaged in the country's social development. At the same time, international foundations have deliberately tried to promote and influence civil society and philanthropy. More recently, Brazil's political stability, economic progress, and personal wealth accumulation have provided a foundation for philanthropic growth. Though the environment for philanthropy continues to evolve, several key features and trends of the philanthropic landscape are notable.

## Scale and Scope of Giving Largely Unknown

As in most countries, the scale and scope of private giving and social investment in Brazil is unknown; there is no comprehensive data on individual or institutional giving in the country. Yet despite the lack of data and analysis, there is a widespread consensus that private giving is growing, becoming more institutionalized, and increasingly addressing the country's social challenges.

In a 2012 census conducted by *Grupo de Institutos Fundações e Empresas* (*Group of Institutes, Foundations and Companies* or *GIFE*), members reported social investments totaling approximately R\$2.2 billion (US\$833 million) and indicated a generally steady growth in levels of giving.<sup>9</sup> *GIFE* membership comprises primarily corporate foundations and those from the largest Brazilian cities, and as Ana Carolina Velasco, the relationship manager at *GIFE*, points out, social investment by private families and in other parts of the country is relatively unknown and likely underestimated. In addition, a research study from 2001 estimated that almost half of the grantmaking institutions in Brazil had been founded in the previous decade.<sup>10</sup>

Many believe that private social investment is poised for continued growth. While the country's economic progress and the attendant growth of personal wealth is expected to continue, persistent economic and social inequalities remain a growing concern. On the positive side of the ledger, an increasing number of social investors are demonstrating the

potential of private actions to address the country's challenges, and there is a growing infrastructure to support, encourage, and advocate on behalf of the philanthropic sector.

## Political and Policy Environment Seen as Challenging

For the most part, Brazil has a favorable policy environment for broad civil society and civic engagement, but legislation and tax incentives do not promote philanthropic giving.

The post-1984 emergence of democracy and economic liberalization heralded the growth of civil society in Brazil. Recognizing that government could not meet the needs of all citizens, government, business and civil society have become increasingly engaged in discussions about the role of private engagement. As a result, the permissible scope of CSO activity, in terms of both service provision and policy advocacy, has increased significantly. The number of CSOs tripled between 1990 and 2000, and today the number of nonprofits is estimated at around 290,000 organizations.<sup>11</sup> At least two-thirds of these are less than 20 years old and over 40 percent are located in the main cities of the southeast.<sup>12</sup>

*GIFE*'s director Andre Degenszajn describes Brazil's regulatory and tax policies as extremely challenging to the creation of a favorable environment for philanthropy, particularly for individual giving. Individuals can contribute to projects in a limited number of issue areas such as culture, sports, and children; and these contributions are limited to 6 percent of income tax to be paid.<sup>13</sup> The lack of individual tax incentives is compounded by tax disincentives: a state tax of approximately 4 percent of the contribution applies to all donations above US\$25,000.<sup>14</sup>

Paula Fabiani, CEO of the *Instituto para o Desenvolvimento do Investimento Social* (*Institute for the Development of Social Investment* or *IDIS*), emphasized that legislation regarding endowment creation was particularly challenging. In addition to the mandatory state tax, it is administratively burdensome to create an endowed institution and even after doing so, it is not fully protected. For example, the government has the right to change the trustees and thus influence the mission and direction of the institution.<sup>15</sup> Led by *IDIS*, philanthropic leaders in Brazil are currently advocating for a more favorable endowment law that would provide better tax incentives and protect philanthropic endowments.

**“I was hugely influenced by my mother, who was always involved in the NGO movement in Brazil.”**

Dario Guarita Neto

**“When you look at our family tree, many were very philanthropic; they were always helping others less fortunate.”**

Ana Lucia Villela

## Infrastructure to Support Giving and Social Investment

**Grupo de Institutos Fundações e Empresas** (Group of Institutes, Foundations and Companies, or GIFE). Created in 1989, GIFE now has more than 130 participating members contributing approximately R\$2.2 billion (US\$833 million) to social good through program operations, philanthropic funding, and other social investments. GIFE operates with a mission to “refine and disseminate concepts and practices in the use of private funds for the development of the common good.” The network promotes the growth and strategic development of Brazil’s philanthropic sector through several activities: the Congress GIFE (GIFE’s biennial conference), member learning and networking events, advocacy for a more enabling legal environment, and publications to build and improve the practice of philanthropy.

**Instituto Azzi** (Azzi Institute). Out of his desire to reduce economic disparity and encourage effective social sector investments in his home country, Brazilian philanthropist Marcos Flávio Azzi founded the Azzi Institute “to improve and promote the culture of giving in Brazil with strategic vision and focus on results.” The Azzi Institute helps individuals and families to create positive social impact through a rigorous strategic process beginning with the motivations and goals of the donor all the way through the identification, vetting, and funding of a high-performing organization. These services seek to develop and scale the practice of grantmaking, and ultimately achieve social and environmental development in Brazil.

**Instituto Geração** (Generation Institute). Founded by Daniela Nascimento Fainberg, the Generation Institute is a nonprofit organization that encourages and supports the new generation of privileged individuals to re-think their roles and practices with regard to social change. The Institute seeks to broaden and deepen individuals’ understanding of Brazil’s social realities and help them identify how to apply their passions, motivations, goals, and skills to improving the world around them. By inviting individuals to rethink their practice, the Institute helps align dreams and values with social action, finding new opportunities for HNWIs to engage in social change from where they are.

**Instituto para o Desenvolvimento do Investimento Social** (Institute for the Development of Social Investment, or IDIS). For more than 15 years, IDIS has coordinated research, hosted workshops and conferences, and provided technical expertise in support of its commitment to social development through private social investment. Together with the Global Philanthropy Forum, IDIS has co-hosted the annual Brazilian Philanthropy Forum since 2012 to generate connections and conversation around the country’s philanthropic sector, drawing more than 100 social investors from around the country. IDIS also released a documentary film in 2013, *Strategic Philanthropy – The Future is Now*, highlighting Brazilian philanthropists’ motivations, efforts, and practices.

**Worldwide Initiatives for Grantmaker Support** (WINGS). A global initiative launched in 2000, WINGS institutionalized operations in 2010 founding its headquarter office in São Paulo, Brazil to coordinate its vast network of participants representing 54 countries. WINGS produces in-depth research on global philanthropic issues, acts as a convener, and provides philanthropists around the world with a community of practice in an effort to build a strong global philanthropic community. Although WINGS’ work is not concentrated specifically in Brazil, its decision to launch in the Global South was strategic according to its Executive Director Helena Monteiro, in “representing philanthropy groups there and developing contacts in Latin America, Asia and Africa.”<sup>16</sup>

**“Victor Civita was a visionary, a doer, a problem solver. Philanthropy was always a family value and it’s also a family legacy.”**

Carol Civita

## **“There is no better way to strengthen family bonds.”**

Osmar Zogbi

**“The Fundação Otacílio Coser builds a bridge to the new generation. They are interested in ‘business with greater purpose than profit’ and the Foundation helps us to address these interests, besides the business values.”**

Bernadette Coser

### **A Strong Distinction between Charity and Social Investment**

There is a strong distinction between charity and social investment in Brazil. Indeed, many individuals suggested that the two co-exist but have little in common. Charity (and philanthropy, for some) is understood as short-term relief: a way to alleviate suffering and meet the immediate needs of the poor. Social investing relates to investments of financial and other resources to address systemic problems and create positive, lasting change. Most people interviewed saw both charity and social investing as necessary, but different.

The distinction relates in part to historic patterns of giving. From colonization by Portugal in 1500 until the 19<sup>th</sup> century, philanthropic activities were predominantly associated with the Catholic Church. Wealthy individuals and families provided donations to the Church to support its education, health, and social services for the poor. In the 20<sup>th</sup> century a few wealthy families established some of the country's first private foundations. These foundations, too, tended to focus on providing direct services to the poor, primarily to employees' families and the communities in which they worked.

In the 1990s corruption scandals involving the government and some civil society organizations tainted the word “philanthropy” for many. Philanthropy came to be viewed by many as a potential form of tax evasion. Today, the majority of people still seem to associate charity and philanthropy with immediate assistance to the poor and some think such giving, while not seeking systemic solutions, maintains and reinforces economic and social inequities.

### **Corporate Sector a Leader in Social Investment**

There is a general perception that social investment in Brazil is largely occurring in the corporate sphere, and that this sector will continue to be the driving force for social investment. At the same time, it is widely acknowledged that the distinction between corporate and private giving is imprecise, as it is difficult to separate corporate and family philanthropy in family-controlled corporations in which family members lead both corporate and philanthropic activities. Indeed, among those interviewed there was not always consensus around whether a specific foundation should be categorized as a corporate or family endeavor.

There are several reasons offered for corporate dominance of the philanthropic sector. As indicated above, individuals are more encumbered by regulations and receive fewer tax incentives to give than corporations. In a global economy, business leaders are exposed to evolving ideas about corporate social responsibility as both a duty and a sound business strategy. Within Brazil, CSOs have put pressure on Brazilian businesses, perhaps most particularly those in extraction industries, to address the social and community impact of their businesses.

Despite these issues and challenges, there appears to be significant individual and family engagement in social investing. GIFE's non-corporate membership is growing and now includes 20 family foundations. Among the study's limited sample, the majority of individuals are involved with social investment institutions that do not have a formal relationship to a corporation. Also, as mentioned earlier, there may be significant, if unknown, private social investment in other regions of the country.

### **A Strong Infrastructure to Support Social Investing**

In Brazil there are several strong organizations and platforms that support and promote giving and social investment, and this infrastructure appears to be growing and diversifying. Two prominent groups, GIFE and IDIS, were established in 1989 and 1999, respectively, and have helped to build the sector and its visibility for many years. Several other organizations have since been established and collectively these organizations provide a range of resources and services. For individuals and institutions, they provide individualized services and support, opportunities for peer- and expert-learning, and the potential to explore collaboration. They are also critical to the development of the sector, advocating for a more favorable legal environment and developing the social investment knowledge base.

# Philanthropic Motivations and Influences

In this study's research, the motivations identified for giving were diverse but generally clustered into four broad areas: family values, social and moral responsibilities, passion, and a concern for Brazil's future, with individuals most often motivated by a combination of these factors. And while religion was often mentioned as a strong influence on giving in Brazil, it was infrequently cited among this study's participants. When prompted, some individuals agreed that it was an important component of family values.

## **Giving Reflects and Reinforces Family Values**

Almost without exception individuals who were interviewed emphasized the strong influence of family values, traditions, and upbringing on their giving. Over 75 percent of survey respondents identified family values as either important or very important. The value most often identified was the importance of helping those in need. Particularly among those who were raised in wealthy families, many cited the impact of role models, including parents, grandparents, and other family members in shaping their philanthropic activity.

Philanthropy was also described as a way to intentionally reinforce family bonds and values. Several individuals noted that for many decades a family-owned and operated business kept families connected and working together. Today, some of those businesses are being sold or the younger generation is less involved. Thus, giving through a foundation or other institutional structure can be an especially important way to maintain family bonds, reinforce values, and connect with younger generations. Dario Guarita Neto, a third generation member of the *Fundação Maria Cecília Souto Vidigal* (*Maria Cecilia Souto Vidigal Foundation* or *FMCSV*) explained that when his grandfather died the family-owned business was sold. "*The Foundation has become the mechanism to unite the family. Everyone is excited and proud of the Foundation.*" The Foundation has purposefully established governance structures to include extended family and multiple generations.

In addition, philanthropic giving is seen by some as a legacy. Over 75 percent of survey respondents identified legacy as either an important or very important motivator. Related to the point above, Daniela Nascimento Fainberg, a philanthropic advisor to families and individuals and founder of *Instituto Geração* (*Generation Institute*), noted that historically, corporations have been family legacies: when they are sold, a family foundation can become an innovative way to create a lasting family heritage.

## **A Strong Sense of Social Responsibility and Moral Obligation**

Almost all of those interviewed in Brazil expressed a belief that giving is a social and moral responsibility, and 100 percent of survey respondents identified responsibility as either an important or very important motivator. This appears to include concepts of duty, conscience, obligations – and sometimes guilt – of the economically privileged to help those in need. For many who grew up with great wealth there are questions of "why me?" when so many others suffer. For individuals whose giving is connected to a corporation there is a sense of responsibility to give back to the communities in which the firm operates.

## **Personal Passions Ignite Giving**

Many of those interviewed felt a deep commitment to a specific issue, cause, or population. Close to 90 percent of survey respondents indicated that they were motivated by "a strong connection to one or more causes or issues." One's passion can often be directly related to a personal experience, such as an illness or tragedy that someone in the family suffered, or by an inspirational experience.

**“Poverty and social disparities remain huge. It is up to each of us to work towards final eradication of poverty in Brazil. We must keep fighting for a fairer world.”**

Osmar Zogbi

**“[We are] committed to our country, all of its peoples, and closing the gap between rich and poor.”**

Viviane Senna

**“People are beginning to embrace their roles as citizens and taking part in society. I see families as much more concerned with investments that will help with the development of Brazil.”**

Bernadette Coser

Filipe Sabara, founder of the NGO *Associação de Resgate à Cidadania por Amor à Humanidade* (*Association for the Rescue of Citizenship through Affection towards Humanity* or ARCAH) described how early childhood experiences developed his passion to help those in acute need, particularly the homeless and those with mental illnesses. This passion was strengthened and fueled by people he met – both those in need and those committed to helping them – and profoundly shaped by a visit to San Patrignano, a drug rehabilitation community in Italy. These experiences contributed to Sabara's founding of ARCAH, an ambitious initiative that provides housing, services, and rehabilitation to those in need.

José Carlos Reis de Magalhães, Chairman and CEO of *Tarpon Investimentos* (*Tarpon Investments*), talked about his passion and commitment to align every aspect of *Tarpon Investments* with creating a positive social impact for employees and communities in which they work. He made no distinction between business and social investment, saying, “*We have to invert the logic. We can't think about money first and then how we give back. We need to start with values and what we want to achieve, and then think about how to make a profit.*”

#### **Contributing to Brazil's Sustained Growth**

Family values, responsibility, and personal passions may provide the cornerstones of giving, but for many these motivations seem to blossom from the belief that, as individuals, they can and must contribute to Brazil's future. Individuals expressed a strong confidence in the direction of the country, a deep concern for the challenges it faces, particularly poverty and inequity, and a belief that the state is not able to resolve these challenges by itself. Furthermore, they voiced the opinion that wealthy people with the capacity to contribute must actively work to address these challenges and contribute to the country's stability and success.

What augurs well for philanthropy in Brazil is the pride that individuals expressed about Brazil's economic growth over recent decades, as well as their desire for Brazil to become a strong nation and global actor. At the same time, the absolute number of people living in poverty and the vast inequality between the wealthy and the poor is widely seen as “*both morally wrong and bad for the country,*” as one interviewee described. Osmar Zogbi, advisory board member of the *Instituto Ayrton Senna* (*Ayrton Senna Institute*), emphasized that “*Poverty and social disparities remain huge. It is up to each of us to work towards final eradication of poverty in Brazil. We must keep fighting for a fairer world.*” Similarly, Viviane Senna, president of the Institute, stressed that she and her family are “*committed to our country, all of its peoples, and closing the gap between rich and poor.*”

For some, their visits to other countries have instigated or reinforced their views about the importance of being a global citizen. Several noted the influence of such exposure to new ideas, particularly concepts such as entrepreneurship and civic engagement. As Bernadette Coser, chairwoman of the *Fundação Otacílio Coser* (*Otacílio Coser Foundation* or FOCO) noted, “*People are beginning to embrace their roles as citizens and taking part in society. I see families as much more concerned with investments that will help with the development of Brazil.*”

#### **Corporate Goals Infrequently Cited**

Corporate motivations and goals were rarely mentioned during interviews, even when individuals were prompted to consider them. Bernadette Coser reflected on this issue: “*Our family has talked directly about this. In the beginning, there was confusion between company and family giving, with both company and individuals providing funds. Five years ago, we decided the foundation would be maintained by the companies only, but it would reflect the family's values.*”

Perhaps remarkably, among survey respondents not one person identified business concerns as a motivation. While this is likely due in part to the composition and size of the research cohort, it is worth noting given the emphasis on corporate giving in Brazil.

# Philanthropic Priorities and Purposes

In recognition of the motivations identified, and particularly the desire to help build an equitable, stable Brazil, it is not surprising that many individuals focus their social investments on initiatives that they recognize as key to the transformation of Brazil, i.e., a reduction of the country's inequities, particularly investments in education and community development. Many survey respondents also emphasized the environment and energy and social entrepreneurship as priorities. Other priorities among those interviewed included early childhood development and justice.

In terms of populations served, survey respondents indicated a focus on children and youth (74%), early childhood (37%) and people living in poverty (26%). Regarding the geographical focus of survey respondents, in the aggregate close to 25 percent of their investments support their immediate community, with close to 60 percent focused on programs outside of their community (though within Brazil). Smaller percentages supported communities in which their corporations operate, or initiatives in other countries.

## **Education as Key to Individual Opportunity and National Development**

With a goal of extending quality education to all Brazilians, investments in primary and secondary education are a priority for the vast majority of individuals who participated in this study. Education was seen as critical to individual well-being, broad social change and national development. Almost without exception the educational initiatives identified through this research focused on equitable quality education. Education is a current giving priority for 70 percent of survey respondents, and over 90 percent indicated that primary and secondary education should be the top priority for philanthropy in the country. In a survey conducted by GIFE on 2011–2012 activities, 87 percent of members said that they make social investments in support of education.<sup>17</sup>

Individuals and their philanthropic institutions use a variety of strategies to address educational quality and access, including institutional development and professional training, the development and distribution of educational innovations, and support of individual students.

## *Improvement of Educational Institutions*

Several individuals and social investors are working to improve public schools in Brazil in order to provide equal access, quality, and opportunity to all student-aged children.

Viviane Senna described the *Ayrton Senna Institute*'s resolute focus on decreasing educational inequality and creating opportunity. Following the tragic death of Formula One driver Ayrton Senna da Silva in 1994, the family established the Institute to help underprivileged and street-bound children. The Institute focuses on improving the public educational system through broad-scale teacher training. Viviane recognizes the fundamental challenge of scale, and the Institute is seeking ways to adopt a private sector mentality around scalability and innovation in the educational sector. The Institute has spent approximately US\$45 million and helped 1.3 million children.

Carol Civita, a board member of the *Fundação Victor Civita (Civita Foundation)* established in 1985, elaborated on the Foundation's commitment to developing the capabilities of elementary school teachers and school managers. The Foundation publishes a unique and influential magazine for teachers with an estimated readership of almost 2 million, the second largest circulation of any magazine in the country. In a survey conducted as part of the Foundation's 2013 annual report, 76 percent of teachers responded that they had changed their classroom practices after reading the magazine, and 68 percent used it as a reference for lesson planning.<sup>18</sup> The Foundation also presents annual prizes to innovative projects submitted by teachers, and these awards enhance teacher skills by funding professional development courses in Brazil or abroad.

Bernardo Gradin and his family established the *Instituto Inspirare (Inspirare Institute)* in September 2011 as a major commitment to improve the quality of education in Brazil through innovation and entrepreneurship. The Institute has a four-pronged approach, two of which focus on improvements at the school level: The *Bairro-Escola Rio Vermelho* (Red River Neighborhood School) program is developing a community-led model of holistic education that is inspiring a renewal of education in the city of Salvador, while the *Educação Pública Inovadora* (Innovative Public Education) program is supporting multiple schools that wish to renew their processes of teaching and learning.

# “What three issues should be top priorities for philanthropy? Education, education, and education.”

Anonymous

“We have a country that is built for a few people; not everyone. We are committed to our country and closing the gap between rich and poor. Education is the means to do this.”

Viviane Senna

“Education is transformative, for the individual, the family, and the country.”

Bernardo Gradin

## *Investment in Educational Innovation*

Some social investors are also focused on developing and disseminating innovations aimed at providing educational access and opportunity to a wide swath of Brazilian youth, particularly those who might not have access to quality education.

One of the *Inspirare Institute*'s four prongs is the *Porvir* (Future) initiative. *Porvir*, standing for the “*future well-being of all people*,” serves as an informational commons that gathers and exchanges global information on educational innovations to help inform Brazil and inspire policies, programs, and investments that improve the quality of education in Brazil. The initiative maps practices, tools, research, and people invested in innovations and education in Brazil and abroad. The Brazil team works with an international network of volunteers or satellites to help identify experiences, at every stage of implementation, that are capable of inspiring ideas and solutions to educational challenges in Brazil.<sup>19</sup> Another prong is the *Iniciativas Empreendedoras* (Entrepreneurial Initiatives) program. This program promotes and ignites social businesses that propose innovative solutions to increase access and improve the quality of educational opportunities, especially for those at the bottom of the social pyramid. The program aims to encourage a growing contingent of Brazilian social entrepreneurs. In addition to financial investment, the program provides support to overcome barriers such as the lack of awareness of the Brazilian educational context and/or a lack of expertise in critical areas for business success. The program also provides a network of contacts with potential investors, partners, and suppliers.<sup>20</sup>

In 2002, one of the most prominent businessmen in Brazil, Jorge Paulo Lemann, established the *Fundaão Lemann* (*Lemann Foundation*) as a family foundation focused on improving the quality of public education in Brazil. The *Lemann Foundation* also has a strong focus on educational innovation geared toward improving access to information about and the quality of public education in Brazil. The Foundation has supported ambitious efforts to provide widespread access to quality educational content, including funding the Portuguese translation of mini-lectures from Khan Academy, a US-based organization and virtual platform providing free educational lecture videos for a global audience.

These videos now reach 10,000 public school students in Brazil. In 2013, the Foundation partnered with Google Brazil and its YouTube Edu platform to bring teachers and students more than 12,000 educational video lessons in Portuguese.<sup>21</sup> The Foundation has also supported the development of an open access data portal to track reliable information on education in Brazil.

## *Focus on Individual Opportunity*

Jorge Paulo Lemann has also supported hundreds of individual students through both the *Lemann Foundation* and a second foundation, *Fundaão Estudar* (*Study Foundation*). Created in 1991 with fellow business partners Marcel Telles and Beto Sicupira, the *Study Foundation* provides scholarships and college access for academically gifted students and young professionals to attend the world's top universities, graduate programs, and intercultural exchanges.

## **Community Strategy Important for Some**

Some social investors and foundations have a more place-based focus that includes education as one of several elements of an integrated approach to community development. Among survey respondents, community development was the second highest priority following education with over 40 percent of respondents providing support in this area. Fully 37 percent of respondents thought it should be a philanthropic priority in the country in the future. In *GIFE*'s membership survey, 54 percent of respondents operated or supported programs in community development.<sup>22</sup>

*FOCO* embodies this approach. Primarily focusing its support in education and volunteerism, the Foundation overall seeks “*to stimulate the growth and development of communities... [and] contribute to the development of a better society.*”<sup>23</sup> Through its *Rede Escolaí* (School Network), the Foundation has partnered with state and municipal government and private sector contributors to create a more participatory, collaborative, and democratic school system in 23 public schools. Other projects aim to stimulate environmental consciousness and responsibility in schools and deepen links between communities and businesses.

**“My main focus is the future of my country. To reach this aim, we must begin with quality education.”**

Osmar Zogbi

**“We focus on education because that’s what will make the greatest difference in Brazil.”**

Carol Civita

### **Vulnerable Populations and Neglected Needs**

#### **Gain Attention**

While much of Brazil’s private social investment focuses on education and community development, there are social investors and foundations focused on other critical issues, particularly populations and issues that are perceived as receiving insufficient attention from the state or other private investment.

#### *Early Childhood Development*

FMCSV is an endowed family foundation that is over 40 years old. In 2001, the family (now the second and third generation) went through a rigorous strategic planning process, which culminated in the decision to focus their efforts in early childhood development in order to help children from conception to six years of age get a strong and healthy start to life. In 2008 it launched the *Primeiríssima Infância* (Early Childhood) program to improve professional services for pregnant women and small children in health, education, and social assistance. The program has benefitted more than 40,000 children and is carried out in partnership with municipal governments in 13 cities around Brazil.<sup>24</sup> It also employs a rigorous process of diagnosis, including 50 indicators that measure quality of services, as well as analysis to improve care and the Early Childhood program itself. FMCSV also works to improve public policy and establishes partnerships with the public sector, private initiatives, and civil society. The goal is to widen the reach and impact of its social interventions and to raise awareness about themes related to early childhood development. In 2012, FMCSV invested a total of R\$ 10 million (US\$3.8 million) in programs and projects.

#### *The Disempowered and Disenfranchised*

As noted earlier, Filipe Sabara founded ARCAH in 2012 to work with people faced with homelessness, mental illness, and drug addiction. ARCAH seeks to provide housing, services, and rehabilitation to those in need. Through operation of a small countryside farm, ARCAH provides rehabilitation, education, vocational training, and reintegration for more than 60 homeless individuals per year.<sup>25</sup> Sabara hopes to scale these sustainable farming projects in an effort to diminish urban homelessness and drug addiction, and transform individuals’ lives through ARCAH’s comprehensive programs.

#### *Justice for All*

Inês Mindlin Lafer and the family’s foundation *Instituto Betty e A. Jacob Lafer (Lafer Institute)* work to ensure fairness in Brazil’s justice system. The focus reflects, honors, and benefits from a deep family interest in justice and fairness: Lafer, director of the Institute, earned a master’s degree in human rights, a subject on which her father also taught, and a master of public administration. Not only does such a focus reflect personal interests and expertise, but it is also a strategic decision to focus on a specific area not addressed by many social investors, not to mention areas in which their resources could have a strong impact. The Institute also invests in public policy efforts to foster accountability, encourage social participation, promote new ideas and advocate for various issues (e.g., drug policies, public security, and the environment).

# Philanthropic Platforms and Strategies

Seeking to create systemic and sustainable change, social investors in Brazil employ a wide variety of strategies and platforms to this end. While the legal environment, charitable traditions, and public opinion have in some fundamental ways limited the practices of philanthropy, this study's interviews suggest that there is space for creativity and innovation in private social investing. In addition, it is clear that many individuals have already committed substantial financial, intellectual, and social capital to resolve some of the country's most critical challenges.

## An Outcome-driven Approach to Social Investing

Interviews in Brazil suggest that many social investors take an outcome-driven approach to social investment. Beginning with the problem being addressed – such as inequalities of education, inadequacies of justice, inequities in health services, or deficiencies in early childhood development – this type of approach comprises several key characteristics. Such an approach zeroes in on goals and targets and recognizes that solutions will likely require multiple, inter-linked strategies. It also acknowledges that big challenges require a long-term view and commitment, and that the time frame will likely be generational. Last it realizes that large-scale change often requires collaboration and partnerships.

Two examples of this approach are the *Inspirare Institute* and *FMCSV*. Both use multiple and interrelated strategies, including influencing policy, building knowledge, and improving professional practices. The *Inspirare Institute* is also developing game-changing innovations.

## Philanthropic Institutions Exhibit a Range of Platforms, Funding, and Operational Models

### *Philanthropic Platforms*

The majority of those interviewed in Brazil carry out their giving and social investments through a formal institution representing a range of organizational models. In this study's limited sample the majority used private, not corporate, foundations or institutions. All of the institutions were family-based, with family members playing leadership roles. Similarly, over two-thirds of survey respondents indicated that they used a family or private foundation to structure their giving, while approximately 15 percent used a personal/family business. Other platforms mentioned included more broadly focused nonprofit organizations, family institutes, community foundations, and intermediary groups.

Some individuals and institutions use a combination of platforms or organizations to achieve their objectives. For example, Ana Lucia Villela, founder of the *Instituto Alana (Alana Institute)* and related organizations, described how they set up structures to maximize the synergies, e.g., tools and approaches, of three separate institutions. The *Alana Institute*, established in 1994, is a nonprofit that operates its own projects with endowment income, while *Alanapar*, set up in 2014 focuses on the social business market and the *Alana Foundation*, headquartered in the United States, is a fully grantmaking foundation supporting innovative research "capable of changing the world."

### *Funding Sources*

Among those interviewed who have established formal philanthropic institutions, the funding sources vary widely. Similar to other countries in this study, philanthropic institutions often receive substantial funding from the founder, but very often also seek funding from other sources.

Although, as noted above, there are few incentives for establishing an endowment in Brazil, several foundations including *FMCSV*, *Civita Foundation*, and the *Alana Institute* have endowments. Reasons for creating an endowment differ but can include a means to ensure perpetuity, to increase professionalism, and to de-personalize the efforts. Ana Lucia Villela noted, “*We created an endowment because we wanted the Institute to be independent of me.*”

Non-endowed institutions are funded by a variety of sources, including family members, corporate profits, other foundations, personal and business acquaintances, non-associated corporate contributions, and the general public. Several family members have committed financial resources to the *Inspirare Institute*, as well as a minimum of one day a week to provide non-financial social and intellectual capital. The Senna family contributes all royalties from the Ayrton Senna brand to the Institute. Half of the Institute’s funding base is comprised of these royalties, including licensing deals with Brazilian and international companies and a highly profitable cartoon character based upon Ayrton Senna and used in comics, games, toys, and other children’s products; the other half is made up of corporate and individual donations.

#### *Operational Models*

As is the case in other countries in this study, there is a mix of operating and grantmaking strategies across foundations and institutions and, while some foundations exclusively employ one strategy or the other, a majority of foundations have a hybrid approach. That said, the Western-influenced operating/grantmaking dichotomy may not be broadly relevant in Brazil (or elsewhere). As described above, many individuals start with an outcome- or problem-based approach and establish institutional platforms and operating models most likely to accomplish their objectives, often using a range of approaches.

Among survey respondents, 50 percent of their resources were spent directly operating programs and 28 percent were used for grants to third parties. These figures are very similar to the *GIFE* census, where 55 percent of resources went to program operations and 29 percent to donations for others.<sup>26</sup>

In this study’s interviews the *Lafer Institute* was the only institution that described itself as a grantmaking organization. This was a conscious decision based on the resources available and the nature of the problem the Institute is committed to solving. It employs no paid staff, which is part of an effort to keep operating expenses to a minimum, and believes it can have far greater impact by strengthening existing programs and supporting the work of experts.

Others, working on different issues and/or with greater resources feel they can have more impact by operating their own programs. For example, Viviane Senna explained that their institution initially granted funds to third parties, but saw little impact. Given the scope and scale of the problem, they determined that working directly with public schools was a more effective tool.

*FMCSV* is a good example of a hybrid approach. Dario Guarita Neto explained that *FMCSV* utilizes grant funding to support researchers in developing new critical knowledge and operates its own programs to test ideas and improve practice.

One consequence of a philanthropic landscape largely characterized by an operating model is the fact that there are limited resources available to support and encourage civil society. Several of those interviewed emphasized the need to develop Brazil’s civil society through grants to nonprofit organizations, even if this was not a priority for their own organization. Professional organizations such as *GIFE* and *IDIS* also promote the importance of grantmaking to civil society.

**“The interest in impact investing, especially among the younger generation, is really growing. We need to find ways to support this.”**

Daniela Nascimento Fainberg

**“The Instituto Inspirare sees impact investments in educational innovation as a means to encourage innovation and subsidize costs of other essential social investments.”**

Bernardo Gradin

#### **Partnerships Perceived as Key**

Collaboration and partnership are very often part of an outcome-based social investment approach, and several of the individuals interviewed talked positively about their partnerships with private organizations and public entities. Bernadette Coser referenced several partnerships including one with the Inter-American Development Bank and RedeGlobo, among others. Osmar Zogbi said, “*We have urgent challenges. It is necessary for a greater number of donors to work together and with state and federal governments.*” Dario Guarita Neto emphasized, “*Our goal is leverage. Our hope is to double investment by co-investing.*”

Among survey respondents, almost half said they collaborated with other philanthropists and 60 percent said they expected to do so within the next two years. Carol Civita said that there was increasing interest in pooled funds in Brazil.

#### **Impact Investing on the Rise**

Among those interviewed and surveyed there was a significant interest in impact investing and other emerging social investment strategies. At the same time, a few individuals adamantly opposed the approach, believing philanthropy and social investment should be focused solely on social, not financial, return. As observed earlier, it appears there is a willingness and eagerness to explore different strategies to address significant challenges. For some, impact investing is seen as one of many tools.

According to a Bain and Company report on impact investing in Latin America, Brazil has the region’s largest share of invested capital: US\$180 million out of a total of approximately US\$800 million across the region.<sup>27</sup> Several organizations are promoting sector growth. As part of a global field-building effort around impact investing, the Rockefeller Foundation has launched convenings in several emerging markets around the world to engage investors in the Global South. In collaboration with the Avina Foundation and Omidyar Network, they hosted the first forum in São Paulo in 2012, focusing on identifying barriers and opportunities for greater impact investing in the region. Following the forum, they initiated the Latin American Impact Economy Innovations Fund to provide funding to social enterprises and entrepreneurs working to build the sector.<sup>28</sup> Of the six awards made, three were based or working in Brazil.<sup>29</sup>

One example of an impact investing approach is Artesmesia. Founded in 2004, Artesmesia has been influential in the promotion of social entrepreneurship and impact investing in Brazil for more than a decade.<sup>30</sup> In 2014 the organization co-hosted the Brazilian Forum on Social Finance and Impact Businesses, which brought together nearly 600 social entrepreneurs, investors, foundations, and businesspeople to discuss innovations and opportunities for private social action and investment. Out of this forum, several individuals helped to launch the Social Finance Task Force to increase awareness, highlight investment opportunities, and promote the growing social finance sector in Brazil.

Among survey respondents, approximately 60 percent were interested in impact investment; 66 percent were interested in venture philanthropy defined as “*building stronger social organizations by providing them with both financial and non-financial support in order to increase their social impact*”; and over 75 percent were interested in the concept of collective impact, defined as “*working together with actors in government, civil society, and the business sector in a structured and coordinated effort to solve complex social problems.*”

# Looking Ahead: Challenges and Opportunities

The individuals interviewed in Brazil are active, engaged philanthropists and did not express many significant obstacles to their own giving – save a lack of resources that can effectively address the problems. Many individuals were optimistic about the trajectory of social investing in the country. Along with the general optimism, however, those interviewed and surveyed observed several challenges that they felt hindered wealthy individuals from becoming more active and that limited the overall impact of private social investment in Brazil. Chief among these are a lack of a culture of social investing (or perhaps the sense of community that would lead to it), a lack of confidence in the nonprofit sector, and the legal and tax environment for private giving. Several individuals provided concrete and creative suggestions about how to tackle these barriers and create a more robust, engaged, and effective philanthropic landscape.

**Developing an Improved Legal and Tax Environment**  
Both social investors and sector experts view the legal and tax policy environments in Brazil as one of the most critical obstacles to broader social investment. As one philanthropist observed, *"The focus of current law is to preserve capital rather than spend it on social endeavors."* And Dario Guarita Neto explained that in his view, *"We need to have a less regulated landscape. The legal policy around giving is too limiting and regulated."*

Optimistically, over half of survey respondents said that more favorable tax incentives would motivate them to increase their own giving levels, and that an improved legal and tax environment would certainly help increase overall giving in Brazil. While there were a range of views on the specific policy changes that would encourage more giving, a number of respondents believed that the following actions could help: creating policies to protect endowments; raising the 6 percent cap on charitable tax deductions; removing the tax penalty imposed on gifts over US\$25,000; and imposing a higher death tax.

## Demonstrating Impact

A common theme that emerged from the discussions was the need for clear evidence that engaging in philanthropy can actually make a difference. Among survey respondents *"more evidence that giving has and can facilitate change"* was – after tax incentives – the second most important issue that would motivate them to personally give more, and the most important factor for helping to develop philanthropy in the country. While study participants already deeply engaged in social investment are convinced of its impact and potential, many indicated that they would be very interested in a better understanding of the activities and impact of other social investors in the country.

Both *GIFE* and *IDIS* already have programs to help share experiences and best practices and are excellent platforms for developing and disseminating even more knowledge. As described above, many individuals also felt that if individual social investors could and would demonstrate the impact of their actions to other wealthy individuals, the public, government, and the media, such an effort could persuade more people to invest as well as promote more favorable government policies.

## Changing Perceptions on the Role of Giving and Social Investment

Many individuals believe that one of the greatest obstacles to broader social investment in Brazil is the perception among both the wealthy and the broader public that the role of private giving should be charitable rather than catalytic. In other words, it should aim to relieve immediate suffering and provide basic needs rather than seek to address underlying issues and create sustainable social change.

Marcos Kisil, the founder of *IDIS*, explains, *"Providing quality education, healthcare and other human services is seen as the responsibility of the State and solving inequities or failures in these systems is seen as the obligation of the State. This perception is one of the top challenges to developing the social investment sector in Brazil. We have to see these problems as everyone's problems and encourage everyone to be part of the solutions."*

Despite the challenges of changing the traditional ways of thinking about giving, this study illustrates that a number of individuals and families are actively involved in social investment. As several interviewees discussed, there appears to be a growing feeling that huge economic and social disparities are both “*morally wrong*” and highly counterproductive to developing Brazil’s economy, infrastructure, and social systems. José Carlos Reis de Magalhães sees little difference between business and social development. In his view, values must underpin profits, “*You can’t have one without the other.*” Bernadette Coser emphasized, “*I definitely see more families getting involved with making investments in Brazil’s civil society. Many are beginning to view this as their social responsibility to foster the means of development.*” The individuals in this study offer a number of innovative and inspirational examples; leveraging this work through more visible leadership presents promising opportunities.

### Fostering a Sense of Community

Many individuals expressed the view that, despite the emerging trends on social investment, there still remains a limited sense of community, social cohesion and social responsibility among Brazilians of different economic and social strata. The wealthy were described as “*living in their own world, not in Brazil.*” One philanthropist emphasized, “*The elite live in a bubble. For five centuries they have been thinking about themselves.*” From the country’s early colonization and plantation economy through a long history of slavery and decades of foreign extraction of natural resources, Brazil’s riches have benefited a small minority with little emphasis on building an egalitarian society or sense of social cohesion. Twenty years of military rule, a period when community building or organizing could be viewed as subversive, was a further barrier to developing broad social affinity or cohesion.

Several people suggested that a key way to increase social investing in the long term would be to integrate concepts of citizenship and community service into school curricula from a very young age. Carol Civita said, “*We have to start very young to develop a sense of community and caring. We must teach our children that, like Spiderman, ‘With great power comes great responsibility.’*”

### Creating Capacity and Credibility in the Nonprofit Sector

Strengthening Brazil’s nonprofit sector and organizations may be critical to the growth of philanthropy and social investment in the country. Participants in the study suggested that many nonprofit organizations are perceived as weak organizations that lack accountability and professionalism, and whose reputations have historically been tarnished by scandals and corruption. Marcos Kisil, as well as over half of this study’s survey respondents, believes this is one of the top three challenges to developing the philanthropic sector. Osmar Zogbi remarked, “*Eighty percent of nonprofits exist to exist*” without clear objectives, demonstrable results, or regular and publicly available audit reports.

While less frequently articulated, other attributes of social investing and civil society may contribute to these perceptions. Most social investors choose to operate their own programs, not support the work of others, so are thus not contributing to a stronger civil society. Few of the individuals interviewed viewed “*support of a strong civil society*” as an explicit objective. Some parts of civil society, such as human rights and advocacy groups, were in large part built and supported chiefly by international foundations. According to a McKinsey report, support of nonprofit organizations by U.S. donors fell approximately 70 percent between 2002 and 2006.<sup>31</sup> These groups may be perceived as more international than Brazilian NGOs.

Individuals are quick to emphasize that there are exceptions (highly respected, well-managed NGOs) that are capable of capturing private contributions. Some felt that having such talented and professional organizations connect with potential donors in a business-like setting could change some attitudes about using them. In addition, they could also play a leading role in mentoring underperforming nonprofits that show promise, as well as new entries into the field. And because a number of those who were interviewed acknowledged that civil society has an important role to play in the country’s democracy – though only a few saw the support of civil society as one of their own goals – they appear open to new ways of promoting positive change in Brazil.

### **Connecting Potential Donors: From Isolation to Inspiration**

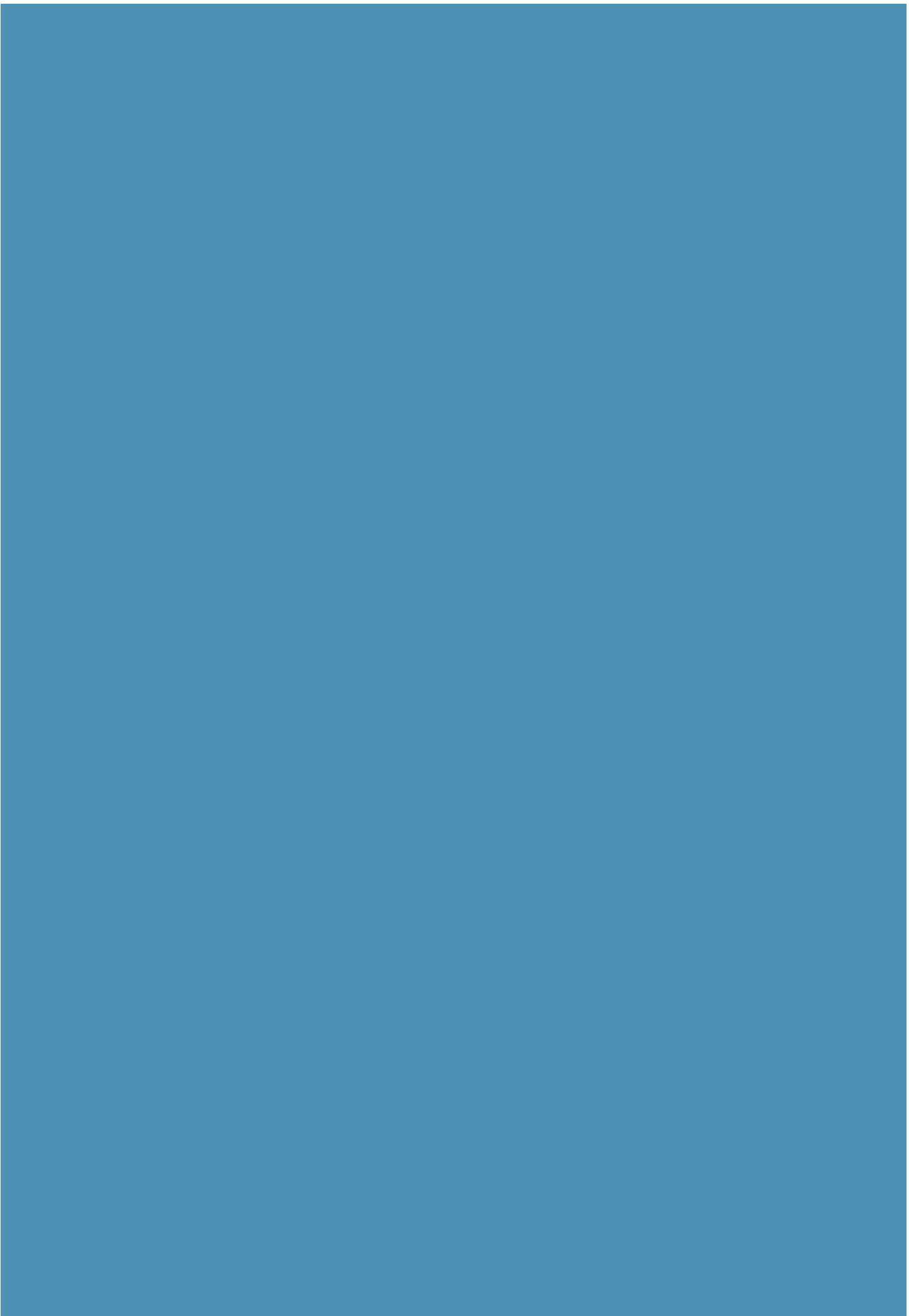
Brazil boasts several strong and important organizations that support and inspire philanthropists in the country. Many individuals were quick to point out the critical roles of *GIFE* and *IDIS*. At the same time, they believe that many current and would-be social investors need more opportunity to engage with, learn from, and inspire one another. Additionally, it is acknowledged that more reliable knowledge, data and information on the sector could help increase learning, collaboration, and the ultimate impact of social investing. As Bernadette Coser reflected, there has not been a tradition in Brazil of donors working together. This is the case even though many seem very committed to the same causes: building social well-being, better education, and improved health care across the nation's communities.

Several individuals suggested the importance of more opportunities to bring peers together and for those who are actively engaged in philanthropy to talk about what they are doing, the impact they are having, and their personal sense of passion and purpose. Carol Civita, Viviane Senna and Ana Lucia Villela all spoke of their initial reluctance to talk about their work, but now understand that people can be inspired by and hopefully prompted to action when they hear their stories.

Others mentioned the importance of new initiatives that can make it easier for people to become more active, and particularly to support those who wish to make grants rather than operate their own programs. Daniela Nascimento Fainberg noted there are many individuals “*who are interested, who want to do something good, but do not have the time and effort. We need more ways to encourage and support these individuals.*”

Individuals interviewed for this study are exemplars of social investors. They impart financial and other resources generously, strategically, and with an overarching desire to improve the lives of those most in need, and they demonstrate inspiring compassion, commitment, ingenuity, and impact. Yet there is consensus that this group is not representative; that only a fraction of those with the means to contribute are doing so. The challenge is to persuade others to bring their own resources to bear on the common good. A better understanding of social investment’s tangible results, more opportunity for peer engagement, and a more favorable policy environment could all help to encourage others and make philanthropy and social investment in Brazil a true force for social change.

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# Chile

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Chile at a Glance

**Population**

17.62 million

**GDP**

US\$277.2 billion

**GDP growth rate**

4.2%

**GDP per capita**

US\$15,732

**Gini index**

50.8 (2011)

**UNDP Human Development Index**

0.822 (41<sup>st</sup> of 187 countries)

**Social Progress Index**

76.30 (30<sup>th</sup> of 132 countries)

**Poverty headcount ratio at US\$4/day**

9.9% (2011)

**Poverty headcount ratio at US\$2/day**

1.9% (2011)

**Poverty headcount ratio at national poverty line**

14.4% (2011)

**Unemployment total (of total labor force, national estimate)**

6.4% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Chile: Country Context

Occupying a narrow 4,200 kilometer-long sliver of land along the west coast of South America, Chile is widely considered one of Latin America's most stable and prosperous nations. Home to more than 17 million residents, the nation has among the highest social progress indicators in Latin America, particularly in nutrition and medical care, personal safety, and personal rights.<sup>1</sup>

Throughout the 20<sup>th</sup> century, Chile faced intense political turmoil. 1970 ushered in socialist rule with the election of Salvador Allende, who was overthrown and assassinated in a military coup only three years later. Led by Augusto Pinochet, the coup installed a right-wing military dictatorship that lasted until 1990. This period was marked by political oppression and human rights violations, one repercussion of which was the suppression of a formerly robust civil society. After decades of political instability and nearly 20 years of military dictatorship ended in 1990, the country transitioned to a democracy, with free and fair elections and the beginnings of a thriving economy. Since 1990, Chile has held five democratic elections and in 2013 the country's GDP reached US\$277 billion.<sup>2</sup>

Despite the adverse political situation, Chile's economy started a trajectory of growth with the introduction of a free-market economy under Pinochet. The country has sustained high levels of growth in the last decade, with the exception of a sharp decrease in 2009, which reflected the global economic recession. Still, its GDP more than doubled between 2005 and 2013. Since 2013, growth has declined in large part due to declining prices for copper, one of Chile's largest exports. Presently, Chile has relatively high incomes; in 2013, the per capita GDP in Chile was US\$15,732, the highest of all countries included in this study.<sup>3</sup>

While real incomes have grown, wealth disparities among Chileans are significant. The country has a Gini index of 50.8, which is higher than Argentina, Peru, and Mexico, but lower than Brazil and Colombia.<sup>4</sup> In Chile, the wealthiest 20 percent of the population earn 13 times more than the bottom 20 percent.<sup>5</sup> According to Forbes' 2014 billionaires list, nine Chilean families hold more than 15 percent of the nation's 2012 GDP, with a total of US\$41.3 billion in accumulated wealth.<sup>6</sup>

While economic inequalities persist, the nation has demonstrated overall increases in social well-being. Government investment in education, health, and social programs aimed at the extremely poor have complemented new fiscal policies, resulting in poverty reduction and increasing social welfare.<sup>7</sup> From 1990 to 2011, poverty rates (headcount ratio living on less than US\$4/day) dropped from 41 percent to approximately 10 percent, and extreme poverty (headcount ratio living on less than US\$2/day) fell from 14 percent to below 2 percent.<sup>8</sup> As wealth continues to accumulate, it is hoped and expected that Chile will continue to implement policies that ensure the well-being of the entire population.

# Philanthropy and Social Investment in Chile: Key Features and Trends

There is very little research that has analyzed Chile's philanthropic sector. Few organizations are engaged in studying or promoting the sector and there are limited studies that have explored or analyzed the environment for philanthropic giving. Thus, the following observations should be considered preliminary and in need of further scholarship.

## **Impact of Government Policies Unclear**

The legal environment for giving in Chile is described as complex, unclear, and likely limiting to philanthropic growth. Legislation passed in 1988 created first-time tax incentives for charitable giving, and currently donors are eligible to receive tax credits and/or expense deductions on one-half of their total donation. These credits or deductions have a maximum cap of 5 percent of net income and apply only to contributions to organizations working in a limited range of focus areas.<sup>9</sup> However, these incentives generally apply to donations made by private corporations and rarely benefit individual donors or independent foundations in the same way. Furthermore, inheritance laws in Chile mandate that direct relatives of the deceased must inherit 75 percent of the assets, which may also impede the creation of charitable foundations endowed by bequests. In a series of interviews conducted with 17 UHNWIs by Matías Rivera Larraín for a paper for the *Pontificia Universidad Católica de Chile* (Pontifical Catholic University of Chile), 94 percent of the cohort indicated that donating in Chile is difficult; 47 percent cited the complexity of tax legislation as a particular challenge.<sup>10</sup>

Philanthropic expert Mario Valdivia stressed that, while the policy environment may not be ideal, it probably does not significantly restrict philanthropic giving in Chile. He explained that current incentives are not being used to their full extent, and that while they are not especially generous, they certainly could support higher levels of philanthropy: "Yes the environment is limiting in some ways. But we have a cap of 5 percent [of tax deductible income] and most people are not giving that much. The inheritance tax mandates that 75 percent of your wealth must go to your descendants, but the remaining 25 percent could be used for philanthropy – and it's not." Paola Luksic, president of the *Fundación Luksic* (*Luksic Foundation*), emphasized that tax policy was only one piece of what motivates people to give: "While improvements in the tax structure would certainly help, ultimately the motivation to give needs to come from within. You need to feel it in your

heart. It is essential and fundamental that one feels moved to give." Juan Francisco Lecaros, founder of the non-profit management advisory firm, *Corporación Simón de Cirene* (*Simon of Cyrene Corporation*), expressed a related, though minority, sentiment, "The legal framework is very favorable and attractive to donors. There is little more that government can do."

New policies which will increase taxation on Chile's wealthiest individuals will continue to come into effect over the next two years. Experts indicated that this may not have any impact on giving or it could have one of two opposite impacts: the new policy could encourage individuals to take advantage of the existing incentives and reduce taxable income, thus increasing philanthropic giving; or, individuals might conclude that paying higher taxes provides the government with more resources for social services and that the need for private philanthropy is reduced, thus decreasing philanthropic giving. Piero Solari, chairman of *Fundación Reinaldo Solari M.* (*Reinaldo Solari M. Foundation*), commented, "The new tax laws project under discussion by the government will probably move everyone to an accrual basis, which may change giving patterns."

## **Limited Philanthropic Knowledge and Infrastructure**

Again, as in other countries in Latin America, the scope and scale of private giving in Chile is largely unknown. In Chile the lack of quantitative data is particularly acute, with no current studies that attempt to map the sector or track private giving. Among those interviewed, some suggested that there was significant giving by individuals and families, but that it was happening in a low-profile – and largely anonymous manner. Others believed that the level of giving in the country is quite low given the country's wealth.

In 2005, data from the Johns Hopkins Comparative Nonprofit Sector research found that 18 percent of Chile's nonprofit income came from private philanthropy, and it estimated this number to be around US\$253.6 million in contributions.<sup>11</sup> As discussed above, donations to select issue areas are eligible for tax incentives; in 2012, Chile's National Tax Service registered US\$100 million in donations to education, culture, sports, and social programs.<sup>12</sup>

**“While improvements in the tax structure would certainly help, ultimately the motivation to give needs to come from within. You need to feel it in your heart. It is essential and fundamental that one feels moved to give.”**

Paola Luksic

In other countries, including Brazil, Mexico, and Colombia, there are strong organizations to support, study, and encourage the philanthropic sector. Similar organizations in Chile are limited in number and activity. Optimistically, this may be changing. Mario Valdivia has created *Fundación Transformemos Chile* (*Let's Transform Chile*) to engage Chile's wealthy individuals and families in strategic philanthropy. *Let's Transform Chile* organizes events on charitable giving and social investment, bringing together some of Chile's most prominent business owners, wealth holders, and families to learn from each other, in addition to experts from around the world. In 2012, the organization coordinated a trip for Chilean families to meet with peers and study successful models of social investing in Colombia.

There is also a promising new center, *Centro de Filantropía e Inversiones Sociales* (*Center for Philanthropy and Social Investments*) at the *Universidad Adolfo Ibáñez* (Adolfo Ibáñez University or UAI), directed by Magdalena Aninat. It is currently undertaking an investigative study of corporate giving programs in Chile and will likely expand its research to include private giving and establish programs to support philanthropists and social investors. In addition, the *Asociación de Empresas Familiares* (*Association of Family Enterprises* or AEF) has a small initiative – AEF Foundation – that serves as “*a meeting place for foundations linked to family businesses, created to share experiences and form a common front on issues of its own, such as coverage, social impact, helping the community and others – based on philanthropic aspects of business families.*”

### **Strong Family Orientation for Philanthropy**

Several individuals interviewed in Chile have established foundations through which they conduct giving and social investing. In contrast to several other countries included in this study, interviewees in Chile generally described these institutions as family-oriented and independent of any corporations. None of those interviewed talked about giving through a corporate foundation or program. While this study focused specifically on private giving, in some other countries there was a very strong overlap or interrelationship between family and corporate giving in family-owned companies. This relationship is true to some extent in Chile, but may be less prevalent than in other countries.

One individual described the family business as having a long history of CSR but stressed that the family wanted to do something separate that better represented and addressed the issues they personally cared about. In 2008, the family created its own foundation that was dedicated to education (a cause championed by the father) and poverty alleviation (honoring the mother's long-standing volunteer efforts). This is illustrative of the fact that a number of families have chosen to conduct their personal giving independent of the corporation.

Nicholas and Alexandra Davis, whose father founded the insurance and financial services company *EuroAmerica*, emphasized the strong family orientation of philanthropy, as well as its interrelationship with family businesses. Alexandra noted, “*We give financially and we give of ourselves in other ways. Our family and people in our companies volunteer. We believe what guides you as an individual and in your family also should guide you in your business, and vice versa. Our father always emphasized ‘helping’ employees through good wages, employee benefits, excellent health insurance, and other initiatives. Our mother is the voice in my head to help all those in need.*”

### **Strong Influences of Church, State, and Voluntary Sector**

Chile's philanthropic history, like most countries in Latin America, is closely tied to the Catholic Church, which acted as the primary provider of social services and charitable activity well into the 19<sup>th</sup> century. By the middle of the 1800s, civil society took root in the form of mutual aid societies among low and middle income classes, which formed independent schools, health care systems, and cultural centers. During this time, wealthy individuals still channeled funding to the Church for the welfare of the poor and vulnerable. As directed by the 1925 Constitution, the state took a more active role in the provision of social welfare services. Throughout the 20<sup>th</sup> century, civil society grew and took on an increased social development role. The dictatorship that usurped power in 1973 virtually eliminated independent civil society; organizations were increasingly monitored and directly under the influence of the state. During this time, approximately 30 percent of grassroots organizations closed.<sup>13</sup> The NGO sector began to re-emerge during the 1980s as the state loosened control of grassroots and popular associations that provided social services and early calls for democracy. It was not until the 1990s that the sector began to take firm root again under democratization.

Strong ties to the Catholic Church have continued to influence giving in Chile. One of the country's largest organizations and recipients of philanthropic giving is *Hogar de Cristo* (Home of Christ), a 70-year-old nonprofit founded by a priest to assist with the social and welfare needs of Chile's poor and vulnerable. Almost everyone interviewed in Chile cited the importance of this organization.

# Philanthropic Motivations and Influences

Giving and social investing are highly personal practices that reflect a number of internal motivations and external influences. In Chile, while numerous influences were cited, the most frequently emphasized motivations included strong family values, particularly those associated with faith; a deep sense of moral obligation or social responsibility, again often associated with faith; and the ability of a personal passion to ignite and focus giving.

## **Philanthropy Reflects and Reinforces Family Values and Bonds**

In Chile, as in all countries included in this study, there exists a strong connection between long-standing family traditions and values and current philanthropic priorities and practices, with some individuals noting the connection between family and faith-based values. Moreover, many individuals interviewed emphasized the importance of philanthropy as a means of perpetuating and strengthening family bonds and connections.

It is interesting to note that individuals repeatedly emphasized that their commitment to philanthropy and helping others was largely influenced by a parent or grandparent. George Anastassiou, president of the board of his family's foundation *Fundación Gabriel y Mary Mustakis (Mustakis Foundation)*, shared a story about his mother, the family matriarch, who "set the precedent for us. She instilled in us the belief that we do not have a family business, but a family responsibility. Philanthropy is intrinsically related to that principle." This sentiment was echoed repeatedly in various other interviews.

Several individuals also noted how philanthropy brings the family together. Alexandra Davis said, "*Our children learn from us about the importance of giving. These are fundamental values that influence everything we do. We try to inspire our children to care and respect any kind of diversity and to learn that differences only enrich a society.*" As explained by one interviewee, "*Our efforts in the Foundation provide time together as a family, and let us focus on things we care about as a family,*" noting that this is often hard to do on a regular basis without a particular catalyst. Magdalena Aninat of the *Center for Philanthropy and Social Investments* also remarked on the growing importance of philanthropy in perpetuating family connections. As family-owned companies are sold and/or as children develop other professional interests, "*Families realize that their children will not necessarily be involved in their family business. Philanthropy is a way to continue the family relationships and bonds that were previously reinforced by the family business.*"

## **A Strong Sense of Social Responsibility**

Despite Chile's impressive economic and social progress, some poverty and inequalities persist, and a number of individuals cited their sense of responsibility to provide help to those in need and to address inequities within the country. In fact, survey respondents were unanimous in asserting that social responsibility was an important motivating factor for their philanthropy.

A couple of individuals expanded on this sense of responsibility and expressed the sentiment that they were merely stewards of their wealth, and thus feel obligated to use it for social good. One individual, who began his philanthropy in his early 30s, said, "*The money is not mine, I just administer it. I will pay for my kids' education, but that's it. It is to go back to serve others.*" For another philanthropist, who grew up in a working class family and then became economically successful, ensuring that others had the same opportunity for advancement was very important.

**“[My mother] instilled in us the belief that we do not have a family business, but a family responsibility. Philanthropy is intrinsically related to that principle.”**

George Anastassiou

Magdalena Aninat noted that some increasingly viewed philanthropy not just as an expression of social responsibility but also as a way to intentionally foster it. From interviews she conducted in 2014 she learned that some parents were concerned that their children were growing up in a rich and somewhat isolated context and they hoped that philanthropy could be used as a way to build their social consciousness.

#### **Personal Passions Guide Giving**

In addition to the family and social responsibility, a number of interviewees described how their philanthropy reflected a particular passion, combining the heart and mind in charitable efforts. For some individuals, a passion can be what initially ignites philanthropy. For others, who may have a long history of giving, a passion can focus and guide their giving priorities and practices. In this study, all of the survey respondents indicated that passion was either an important or very important motivator for their giving.

For example, with a long family history of giving, Felipe Ibáñez and his wife Heather Atkinson were inspired to create a foundation focused on an area that he and his wife are deeply passionate about: arts and culture. The *Fundación Ibáñez-Atkinson* (*Ibáñez-Atkinson Foundation*) was founded to support the cultural development of Chile and provide greater access to the arts, particularly musical education in schools. Heather Atkinson now dedicates 100 percent of her time to the Foundation's mission and work. Roberto Ibáñez-Atkinson, the couple's son, also underscored the importance of passion and he is helping to expand the Foundation's work to include support for environmental sustainability. “*The environment is very important to me. I am a surfer and spend time in the south of Chile; I have seen the beauty of the ocean and the mountains – we must preserve them.*”

Love of the arts, and the visionary nature of the company's founding patriarch, Guillermo Schiess, stirred the Schiess family, owners of the private holding company *Empresas Transoceanica* (*Transoceanic Enterprises*), to create *Teatro del Lago* (*Theater of the Lake*), a community space and performance theater in southern Chile. Nicola Schiess and her husband Ulrich Bader moved to Frutillar to dedicate themselves to the development of the theater and its operations, serving as its President and Artistic Director, respectively. They have attracted renowned Chilean and international performers, and most importantly to the family, expanded into building a community around their passion, helping to “*strengthen creativity through music and the arts.*”

# Philanthropic Priorities and Purposes

Study participants also discussed a wide range of philanthropic interests, priorities, and goals. While several focused on education and arts and culture, priorities throughout the region, others focused on providing services and opportunities to populations perceived to be vulnerable or neglected, similarly a main concern throughout the region. Again, as in several countries, supporting social entrepreneurs is an emerging and growing area of interest.

## **Education a Top Priority**

Similar to other countries included in this study, education is a top philanthropic priority for Chileans. Social investors and philanthropists are involved in a range of efforts to influence, increase, and improve learning in Chile. In the study conducted by Matías Rivera Larraín, 88 percent of Chilean philanthropists interviewed provided donations in support of education, which was the greatest area of focus by far.<sup>14</sup>

The reasons for supporting education may be as varied as the activities undertaken or supported. For some, education represents a steppingstone toward societal advancement and families' economic security, while others view schools as a place for self-expression and an outlet for creativity. Still others want to create systemic change by actively supporting improvements in infrastructure and experimenting with innovative pedagogies.

### *New Models for Effective Education*

A number of interviews illustrated innovative strategies for catalyzing systemic change in the Chilean educational system. By promoting new models and ways of thinking about education, these players are broadening the possibilities in formal educational institutions to create more efficient, adaptable learning environments for children.

For example, the *Luksic Foundation* has supported education in Chile for more than four decades, operating with the belief that all children have the right to quality education. Paola Luksic, president of the Foundation and daughter of its founder Andrónico Luksic Abaroa, shared her father's fervent belief that "*Education was the engine that moved an entire country. Therefore, the work of our Foundation is focused on ensuring that the children and youth of our country, regardless of their socioeconomic status, realize their right to a quality*

*education and develop their full potential.*" The Foundation supports an array of initiatives that are flexible and responsive to community needs and favors alliances and partnerships that address significant educational challenges.

A major initiative of the Foundation is concentrated in Antofogasta in northern Chile. Focusing on the two lowest ranking schools in the area, the Foundation is trying to improve education through a student-centered model of teaching, in order to develop the full potential of each student. The Foundation funds management training for the municipal employees, school administrators, and teachers to improve their ability in order to meet the needs of individual and diverse students. With the student-centered model, the schools can adapt to different learning styles and also measure outcomes at the individual level rather than using standardized tests. Luksic described the Foundation's decision to partner with a leading educational NGO, *Grupo Educativos* (Educational Group), saying, "*We are not experts in education. For us, we ally with an organization that has the skills and knowledge to introduce change and provide students with a better learning experience.*" In addition to this project, the Foundation offers high school and college scholarships; supports programs that introduce arts and culture curricula to local schools; participates in the Reading Network with the Once Upon a Time Foundation, and operates the School Initiatives Fund, a competitive grantmaking program to implement innovative projects in secondary schools.

Seeking to enact broad change in the early childhood education space, the von Appen family created *Fundación Educacional Choshuenco* (*Choshuenco Educational Foundation*), which was designed to improve the quality of early education and provide support for parents as a child's earliest teacher. One family member explained, "*We are focused on early childhood because ultimately we aspire to figure out how to develop 'the leader of tomorrow.'*" Since 2011, the family has brought Program QUIK (Quality in Kindergarten), an early education model developed by German academic Wolfgang Tietze, to more than 20 kindergartens throughout the country. The Foundation implements the program in partnership with the NGO Initial EducaUC and works toward measuring quality improvements in 21 areas.

# “Education was the engine that moved an entire country.”

Paola Luksic

“Myths are not about the story; they are a tool for deeper engagement, to stimulate excitement about learning.”

George Anastassiou

“We are focused on early childhood because ultimately we aspire to figure out how to develop the leader of tomorrow.”

Anonymous

The Foundation also launched The Family Center, a community space that teaches and supports parents as educators, provides workshops and leadership activities that enhance positive parenting skills, and builds a network of social and community support.

#### *Creativity and Arts in Education*

Several individuals interviewed in Chile have a strong interest in the relationship between education, arts, culture, and creativity and seek to promote these interrelationships in a variety of ways.

Formed in 1996, the *Mustakis Foundation* combines its support for education and culture through a number of initiatives. One of the Foundation’s most significant undertakings is the Schools of Storytelling. Influenced by the family’s Greek heritage, George Anastassiou, president of the board, explains that the schools “use Greek myths as a way for students to learn history, story, and art. Our expertise is in training teachers to use arts in education with an emphasis on creative thinking. Myths are not about the story; they are a tool for deeper engagement, to stimulate excitement about learning.” In 2013, the program reached 58,000 students through storytelling and provided 45,000 hours of student interaction. The Foundation is also involved in bringing other experiential and cutting-edge learning models to Chile to improve teaching practices. Many of its programs – the Regular Education Initiative, Math in Motion and the Robotics programs – emphasize teaching practices and non-traditional methodologies that support students’ individual needs, learning styles, and creative nature.

Building on the rich artistic traditions and community of Frutillar in Chilean Patagonia, *Teatro del Lago* (*Theater of the Lake*) was founded by the Schiess family as a center for cultural and creative activity. The president of the theater, Nicola Schiess, shared that the family had originally established the center as purely a performance institution, but it has now expanded its goals to include an interactive educational community space dedicated to improving creativity and community development through the arts. She described this paradigm shift as follows: “We started as a traditional performance theater and have transformed it into a creative space for the children and community to learn with and from the arts.” The theater mixes world class performances with

interactive educational opportunities, including community classes, workshops, and school tours. Over the past four years, the center’s hallmark program, *EduVida*, has engaged more than 84,000 young students through performances of dance, music, theater, and opera, thereby providing them with opportunities to participate and communicate with the artists and directors. In addition, more than 500 students have attended the *Teatro del Lago* School of Arts through the theater’s scholarship program.

In a similar vein, the *Ibáñez-Atkinson Foundation* shares the belief that culture and education are intimately connected. A supporter of *Teatro del Lago* and a number of other artistic programs and cultural institutions throughout the country, the Foundation – created by Felipe Ibáñez and his wife Heather Atkinson – is dedicated to “*a more cultured Chile, sustainable and safe.*” Felipe Ibáñez noted, “*Culture is education. It shapes the person: the beauty, harmony, and well-being of the soul. The point of education is to produce a more sophisticated human being; cultural knowledge is a key part of this.*” In addition to providing grants and scholarships in support of young musicians, the Foundation plans to launch a new program of its own, *Música Educa* (Music Educates). The program will partner with under-resourced schools to integrate music programs into the core education curriculum in order to support improved academic performance, encourage deeper engagement, and bolster students’ creativity and self-esteem. Although the Foundation is now exploring potential engagement in environment issues, as well as peace and security topics, it feels strongly that artistic education will remain its top priority. As Ibáñez shared, “*Chile without culture is neither sustainable nor safe. Through music, we can have an impact.*”

#### **Neglected Populations at Center of Much Giving**

*Fundación Colunga* (*Colunga Foundation*) focuses its efforts on social projects for the poor and vulnerable of Chile, particularly underrepresented populations that receive relatively less social assistance. Esperanza Cueto Plaza, president of the board, said, “*In Chile, people are interested in working in traditional areas, leaving some sectors behind. We are working with the difficult and often neglected sub-populations: female drug addicts, the prison population, unenrolled and unemployed youth. Philanthropy is an opportunity to take risks and invest in supporting the people that others overlook.*” The family

**“Entrepreneurs add real value to their countries with their capacity to create and constantly innovate. They break down barriers and foster admiration.”**

Sven von Appen

**“...we've transformed the theatre into a creative space for the children and community to learn with and from the arts.”**

Nicola Schiess

has been active in this area since the 1990s, but formalized their giving by creating the *Colunga Foundation* in 2012. Since that time, the family has supported more than 35 initiatives, reaching 20,000 individuals. The Foundation supported the creation of the nonprofit *Fundación Mujer Levántate* (Women Rise Up), providing both an alternative to incarceration for first-time female offenders and rehabilitation opportunities for formerly incarcerated women. Other projects supported by the Foundation include: a confidential national hotline to report and prevent child abuse; programs to improve the quality of life for people with disabilities; a strategic partnership for individuals struggling with drug or alcohol addiction, juvenile justice involvement, and extreme poverty; and co-investment with the American Solidarity Foundation to support projects on education and health in Haiti.

#### **Equitable Health Care a Passion for Some**

Although less common among interviewees in Chile than other countries in this study, one individual has focused significant philanthropic efforts in the health sector. In 2005, Chile enacted universal health care coverage and since then has seen marked improvements in areas such as infant and maternal mortality.<sup>16</sup> Nonetheless, widespread health issues remain outside the scope of this progress.

More than 25 years ago, after hearing numerous stories from his lifelong friend and ophthalmologist Santiago Ibáñez Langlois, Nicolás Hurtado Vicuña was moved to create his own foundation focused on the lack of access to care and treatment for those with eye diseases. As a result, *La Fundación Oftalmológica Los Andes (Ophthalmological Foundation of the Andes)* was born as a joint effort of Vicuña and Ibáñez Langlois, to provide top quality care to patients suffering from diseases of the eye, regardless of their ability to pay. This highly respected institution treats private patients who pay for services as well as low-income individuals who cannot afford to pay. Operating three clinics across the country, the *Ophthalmological Foundation* has provided over 120,000 surgeries, including pro bono services to more than 45,000 patients. The Foundation also serves as a teaching and research institution, providing a three year training program for ophthalmologists and a year-long fellowship to build the field.

#### **Interest in Social Entrepreneurship Emerging**

While few of the individuals interviewed are currently investing in social entrepreneurs or social enterprises, interest was expressed in approaches that draw upon business techniques that find innovative solutions to social problems. There is also increased interest encouraging business entrepreneurs in Chile that may contribute to an interest in social entrepreneurs.

It is important to note that Chile's entrepreneurial environment has witnessed significant growth and change in the last several years. Endeavor, a global organization that seeks to catalyze economic growth through investment in high-impact entrepreneurs, has had an office in Chile since 1998 and has become aware of an increasing number of incubators, angel investor networks, private investment funds, and mentoring networks that support both profit-oriented and social benefit entrepreneurs. NESsT and Ashoka, two catalysts for social entrepreneurship, also have offices in Chile. These new platforms are allowing individuals with innovative projects to gain access to mentoring and capital. Additionally, increased media attention and coverage is changing the way social entrepreneurship is perceived and holding up social entrepreneurs as admirable role models. As Sven von Appen has explained, “*Entrepreneurs add real value to their countries with their capacity to create and constantly innovate. They break down barriers and foster admiration.*”<sup>17</sup>

There are also several promising examples of social enterprises in Chile in which core family philanthropic contributions are supplemented by fee-for-service charges. For example, the *Ophthalmological Foundation of the Andes* generates revenue from providing medical services to fee-paying patients, which then allows the clinics to provide pro bono services to approximately one-third of all its patients. Another example is the *Reinaldo Solari M. Foundation*. The Solari family, in a joint venture with the educational nonprofit *Sociedad de Instrucción Primaria* (Society of Primary Instruction), created APTUS CHILE as an income-generating, not-for-profit model. APTUS develops and sells curriculum and educational materials and provides consulting services to improve the quality of education in Chile.

# Philanthropic Platforms and Strategies

Throughout the region individuals and families are employing and exploring a variety of platforms and strategies to conduct their giving and increase impact. In Chile it seems likely that much giving is undertaken directly, rather than through an institution. At the same time, this set of interviews highlighted a number of foundations using multiple strategies to address a wide variety of issues.

## Multiple Philanthropic Platforms

As in other countries in the study, most Chileans who give do so anonymously. At the same time, it appears that many individuals employ more formalized or institutional platforms for some of their giving, perhaps particularly those investments aimed at creating social change. In Matías Rivera Larraín's 2010 study, 76 percent of individuals engaged in philanthropy reported giving through the company or family office, with 41 percent giving through a family foundation.<sup>18</sup> Individuals in this study similarly confirmed the use of multiple approaches to accomplishing related charitable giving and activities. Of the individuals interviewed, all had established independent foundations to operate programs and/or provide financial support via grantmaking. Among survey respondents, over 40 percent had a private foundation or trust.

A number of interviews also highlighted the fact that family offices were proliferating and were being used to perpetuate giving in a less institutionalized manner. At least three of the interviews confirmed that they give through both an independent foundation and a family office. The Solari and Ibáñez families established family offices – Megeve and STARS respectively – which support their philanthropic efforts in addition to broader financial management services. Another family also opened a family office, and emphasized that they are currently working on an ad hoc basis to experiment with and try various activities and avenues before committing fully to one area of intervention.

Although the family has been active in philanthropy since the 1990s, Esperanza Cueto Plaza noted that the decision to formalize giving through the *Colunga Foundation* in 2012 was pivotal in creating a cohesive strategy for impact. The Foundation formally links financial contributions, technical assistance, and in-kind donations with social issues and challenges, thus providing support to the most vulnerable groups in Chile and in Latin America.

## Grantmaking is a Growing Practice

Compared with their peers in other countries, Chilean donors seem to embrace and employ grantmaking more frequently. Although this study did not gather quantitative data, interviews suggested that while it is still commonplace for foundations to operate their own programs or institutions, and many are actively involved in the programs they support, there is also a significant level of grantmaking occurring within the country. At least three of the individuals interviewed identified grantmaking as one of the primary strategies of their foundations. Mario Valdivia noted, "*Most Chilean foundations do both operating and grantmaking, but I see grantmaking as growing. People are learning that they don't need to be on the operations side, that there are quite good institutions that they could give to and help bring them to scale.*"

## Elements of Venture Philanthropy Demonstrated

Several individuals commented on the need to build the capacity of Chile's nonprofit sector. And there are individuals who are taking a venture philanthropy approach – providing organizations with both financial and non-financial support to increase their social impact – and others who are focusing exclusively on capacity building.

**“We are moving from being an undeveloped to a developed country and the philanthropic consciousness is changing in turn. Our foundation is in conversation now about raising the visibility. Traditionally, Chileans are shy and keep a low profile, but we are at a turning point.”**

Piero Solari

Juan Francisco Lecaros founded *Corporación Simón de Cirene* to transfer business expertise and management knowledge to the social sector. The corporation does not provide grants, instead focusing exclusively on providing technical assistance and the management expertise of esteemed business leaders to NGOs. “Money you can find elsewhere,” said Lecaros. “*The influx of money to some organizations creates worse management. If you’re not doing things systematically, then you’re not doing anything significant. Our focus is to help organizations build systems for change.*” Through training workshops and mentorships, the corporation seeks to transfer and adapt successful business principles to develop a more robust, efficient social sector.

The *Colunga Foundation* has consciously developed a venture philanthropy approach. For organizations with which the Foundation has multiyear commitments or strategic alliances, they provide not only financial, but also technical, assistance for capacity building. Esperanza Cueto Plaza explained, “*We look to identify strong leaders with a vision for the future. I aspire to function as a venture philanthropist, supporting forces for innovation.*” Additionally, the Foundation provides subsidized office space, acting as an incubator for early-stage social benefit organizations and new projects. Cueto also noted her keen interest in venture philanthropy, seeing it as a way to take calculated risks with the potential for real impact.

#### **A New Visibility in Giving**

Among the interviews conducted in this study, the majority used their name or the name of a foundation for their giving and social investments. At the same time, most observed that most giving in Chile takes place anonymously. Individuals offered a number of reasons why they give visibly, including building awareness of philanthropy; hoping to influence others to give; supporting the development of a culture of philanthropy in Chile; and building recognition of positive social impact.

Piero Solari framed the changing Chilean context: “*We are moving from being an undeveloped to a developed country, and the philanthropic consciousness is changing in turn. Our foundation is in conversation now about raising visibility. Traditionally, Chileans are shy and keep a low profile, but we are at a turning point.*” Esperanza Cueto Plaza chose to give publicly to raise the visibility and potential of philanthropy in the country. She noted, “*We want to create awareness and share our model for venture philanthropy with others. We can’t do that anonymously.*”

#### **Collaboration and Partnerships to Increase Impact**

Although recognized as a significant tool through which to achieve progress, there are limited examples of sustained partnerships among those interviewed in Chile. A number of interviews agreed that partnerships and alliances could potentially increase impact and scale, but that they can be difficult to create, manage, and sustain, and that it is ultimately easier to work alone. Despite the challenges, interviewees were cautiously optimistic about creating new partnerships in the future.

One interviewee noted that her foundation had engaged in partnerships with educational programs in the past with relative success and acknowledged that she still saw the potential value of operating in partnership for greater impact. However, she continued that – at this time – she finds it impossible to partner with the government. “*Today’s government is afraid to do things with the private sector. Our work is to show the government how to do things well and then see if we can work together.*”

**“For our family, creating a family foundation was pivotal. It was the catalyst for developing a cohesive strategy to help the vulnerable populations in Chile and maximize the impact of our giving.”**

Esperanza Cueto Plaza

In discussing the Schiess family's efforts to launch *Teatro del Lago*, Nicola Schiess emphasized the fundamental importance of long-term collaboration, “*We are not figuring out how to build a theater, but how to build a community. It's clear we cannot do this alone. You can't make big changes alone. We have learned this. We have also learned that the key to collaboration is trust and transparency.*” As a result, *Teatro del Lago* was a founding partner of the private-public foundation *PLADES de Frutillar*, an initiative that supports sustainable urban development and social integration around the city's tourism, arts, education, and environment sectors. Schiess hoped that this partnership might set an example for others in the region.

The *Colunga Foundation* has created a number of partnerships in support of education and poverty alleviation, and it has focused particularly on creating broad change through heightened awareness and public policy advocacy. The Foundation is a UNESCO Chair on inclusion in higher education. As part of this global effort to support social mobility through education, the Foundation provides 250 cost-of-living scholarships for high-achieving students from poor and vulnerable backgrounds to attend prestigious universities throughout Chile. In addition, the Foundation established an early-stage partnership with *Juguemos con Nuestros Hijos* (Let's Play with Our Children) in order to evaluate the organization's early childhood intervention model. In 2014, the Foundation also helped the organization form alliances with two municipal offices, with the goal of influencing public policy around early childhood education. Other partnerships include funding to support the internationalization of a poverty alleviation organization, and the establishment of a working group that makes recommendations for improved public policies around excluded populations, specifically youth who neither study nor work.

# Looking Ahead: Challenges and Opportunities

In addition to individual interviews, research in Chile included a focus group with individuals engaged in philanthropy. The group jointly explored the practice of philanthropy in Chile, the challenges to its growth and impact, and the potential to create a more robust social investment sector. There was consensus around the key challenges, particularly a suspicion around public philanthropic giving and demonstrable philanthropic impact, further explored below. There was also a shared sense of optimism that more transparency, a better understanding of philanthropic practices and impact, and greater peer engagement could go a long way towards addressing these challenges and accelerating the growth of a more robust, respected, and effective sector. Mario Valdivia, philanthropy expert, described the economic, social, and political divides in Chile, but noted “[Chileans] are capable of building a significant philanthropic sector and creating lasting change. We must make this happen.”

## **Building Trust Key to Building Philanthropy**

Many individuals in Chile described a pervasive sense of distrust or suspicion, which challenges the development of a culture of philanthropy in Chile. As one philanthropic expert described, “*Chile is an island. Physically, we are isolated by mountains to our west and an ocean to our east. Our society has been shaped by this and remains very closed to those we do not perceive to be part of the inner circle.*” This distrust, sometimes described as *chaqueteando*, profoundly permeates Chilean culture, manifesting itself across and within social classes as well as between the government, private, and public sectors. People noted that publicly practiced philanthropy draws attention to one’s wealth and that economic success and personal wealth were looked at with suspicion, envy, competition, and mistrust by peers as well as lower socio-economic groups. Moreover, there is a suspicion that philanthropy can be used for individual gain rather than public good. One individual explained that, instead of celebrating a philanthropic gift as an investment toward progress, people ask themselves, “*Why would they do that? What is their real intention? What are they trying to prove?*” Another individual who is active in philanthropy noted that her family provides direct donations rather than through an established foundation to minimize *chaqueteando*: “*We give anonymously, and that's a mistake, but if you do well and give a lot of money [people will talk].*”

While acknowledging the pervasiveness of Chilean *chaqueteando*, individuals expressed enthusiasm about trying to build trust and develop a more positive image of the role of philanthropy in society, ultimately encouraging more people to become involved. Magdalena Aninat of UAI’s *Center for Philanthropy and Social Investments* believed that there is an increasing focus on the social impact that philanthropy can achieve and that more discussion will help to break down the barriers breeding mistrust. She said, “*Yes, not all giving is ‘pure.’ But more people are recognizing that corporations and wealthy individuals can be important social actors and contribute to a positive social return. The more that we focus on this, the more we will see philanthropy in Chile grow.*”

## **Call for Better Knowledge and Transparency**

As noted earlier, and similar to many countries in this study, there is little data or knowledge regarding the scope, scale, or impact of philanthropic giving in Chile. Many individuals in this study emphasized that more comprehensive and reliable data and knowledge could be significant in helping to overcome the current distrust, encourage more individuals and philanthropies towards more open philanthropic engagement, and ultimately increase the impact of philanthropic investments in Chile.

As Felipe Ibáñez, along with others, indicated, “*Chile needs a think tank or institute of philanthropy that would support the development of data, measurement, and knowledge sharing.*” Promisingly, the new *Center for Philanthropy and Social Investments* at UAI has begun work in this area. The Center is currently undertaking a study on corporate philanthropic and social investment practices to better understand the practice, perception and potential of philanthropic investment and impact investing in Chile. The Center may soon engage in a new study to develop reliable Chilean philanthropic data that will contribute to a global initiative that intends to develop more comprehensive and comparative philanthropic data in countries around the world.

# **“Chile needs a think tank or institute of philanthropy that would support the development of data, measurement, and knowledge sharing.”**

Felipe Ibáñez

## **More Opportunity for Peer Learning Sought**

Related to the call for better data and knowledge on philanthropy in Chile is a desire for more opportunities for peer learning and role models. When asked why they chose to attend the focus group, individuals responded that they wished to learn about what their peers in the room were doing: “*To know what is being done*”, “*to have more awareness of what is happening in philanthropy*”, “*to keep learning*”, and “*to learn how to demonstrate the benefits of philanthropy*.” One individual in this study noted, “*If among ourselves we do not know what our extended family is doing, then how can we communicate our achievements to society?*” A number of individuals indicated that increased engagement and discussion with others engaged in philanthropy – in Chile and globally – would spread best practices, share new ideas, and support increasingly impactful social investment. Nicholas Davis suggested, “*We need more support. Not legislation, but more experience because this is something new for us. We would benefit from a place where people can share mistakes about what's been done.*” Esperanza Cueto Plaza expressed a related idea, “*I have a vision to create an 'International Round Table': a place to share new ideas and cross-pollinate within an international network of foundations.*”

There have been some interesting but unique examples of peer learning in Chile, too. In 2008, a number of Chilean families participated in a workshop on strategic family philanthropy organized by Mario Valdivia and conducted by the Hauser Institute at Harvard University. The in-depth joint learning was perceived to be instrumental in building understanding of how strategic philanthropy and how it inspired the creation of some family foundations. As mentioned previously, in 2012, five Chilean families traveled to Colombia to network, study successful models of philanthropy, and explore potential opportunities to expand their own philanthropic efforts.

It is possible that an organization or initiative to encourage more peer engagement on an ongoing basis – such as those described in the chapters on Mexico, Brazil, and Colombia – could help to build more and more impactful giving. As described, *Let's Transform Chile* has undertaken efforts to promote peer learning through its annual meeting and limited learning trips. Alexandra Davis has participated in some of these learning opportunities and shared, “*We need a way to make philanthropy have a larger social impact. I would be most interested in models of speed and scale to grow the field.*” Its founder, Mario Valdivia, sees role modeling as the keystone to increasing philanthropy in the country: “*The game-changer is having a large, popular, successful individual involved – with his money, his time, and his talent – in promoting philanthropy. We need someone to show the way and say, 'This is what we are capable of.'*”

## **Demonstrating Impact is Essential**

Understanding the impact of philanthropy is also cited as a major challenge to giving. Among survey respondents, all but one indicated that “*making a satisfactory impact*” and “*measuring the impact of my giving*” are significant challenges. However, interviews highlighted a notable trend toward impact measurement and a genuine desire to better assess the effect of one’s philanthropy.

One individual engaged in giving to arts and culture noted, “*It is immensely challenging to measure and understand the particulars of philanthropy in a substantial way. It is a specialty of its own and an area of expertise that I would like to see grow.*” In line with this sentiment, the *Mustakis Foundation* hired a professional staff person dedicated to social impact measurement, instruments for evaluation, and assessment of total market share. George Anastassiou described this mentality shift: “*There is a spirit of thinking in Chile that the act of giving is simply enough. But it is not. We must understand impact and measure social return. In social projects – like in business – we need ways to measure success.*”

In 2012, *Teatro del Lago* hired an international company to undertake an independent evaluation of the theater’s social outreach and education programs. The study found that the social ROI totaled 1.98, demonstrating nearly 200 percent return on investment.

**“[Chileans] are capable of building a significant philanthropic sector and creating lasting change. We must make this happen.”**

Mario Valdivia

#### **More Favorable Tax Benefits Could Boost Giving**

All but one individual described the legal environment and tax system around philanthropy in Chile as complex and generally unsupportive, but most believed that it was not a significant barrier to philanthropy despite its shortcomings. Of the individuals included in this study, none cited tax incentives as a primary motivation for engaging in philanthropy. One individual said, “*You give from the heart, not for the tax benefit.*” Still, a number of individuals said that a more favorable environment might help boost levels of giving in Chile, although they did not indicate that such a change would directly affect their own philanthropy.

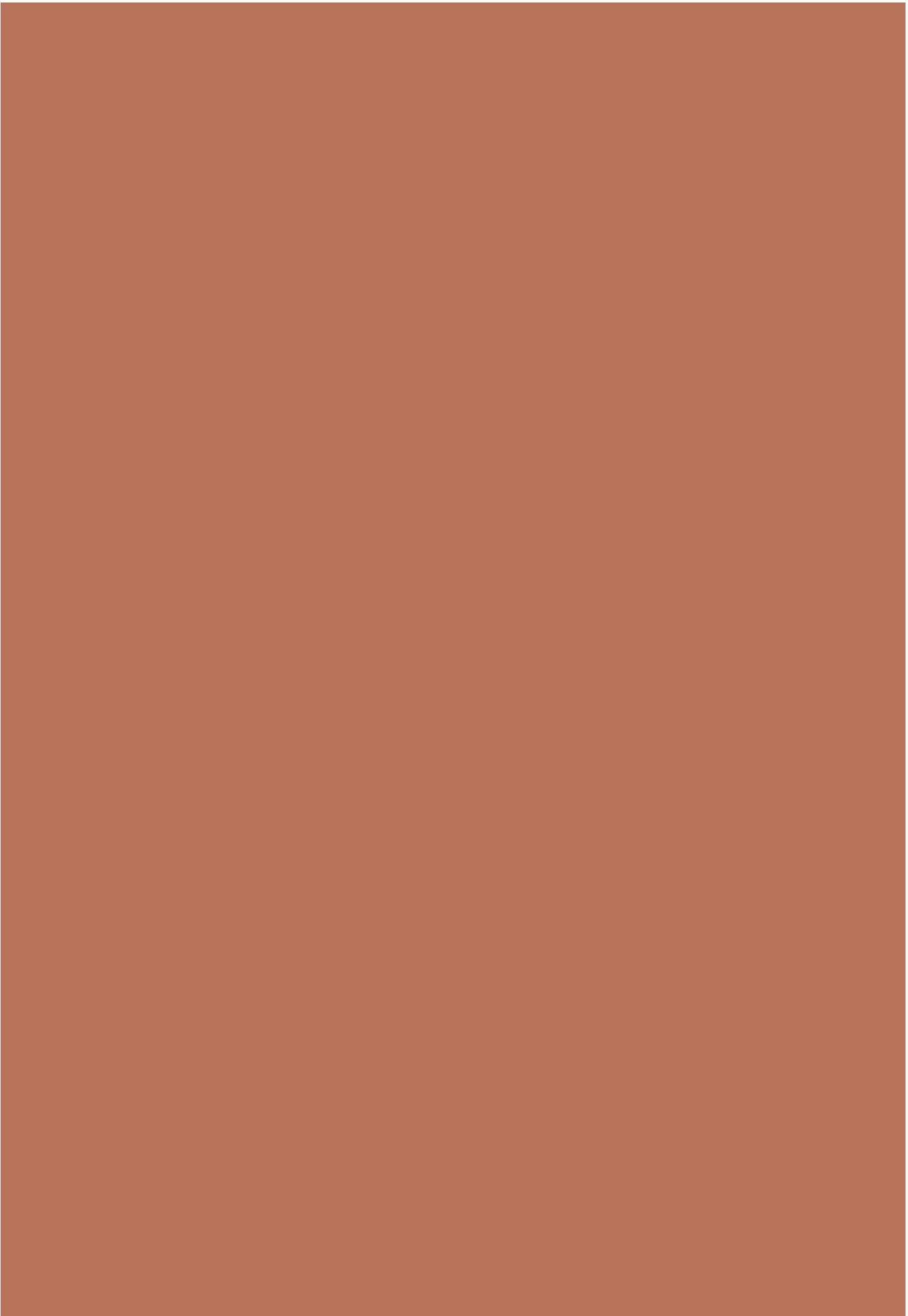
#### **Potential of the Next Generation**

While the search for improvements to some obstacles to philanthropy Chile will require concerted efforts and lengthy investments of time, there is enthusiastic optimism about the potential importance of the next generation in philanthropy. Moreover, there are already a few cases that already highlight these efforts and successes.

Roberto Ibáñez-Atkinson is in his early thirties and has already engaged in a number of efforts to raise social consciousness in Chile. He is a member of the family’s foundation as well as Founder and President of *Celebraciones con Sentido* (*Celebrations with Meaning*), which acts as an intermediary foundation that funnels contributions raised for a celebratory occasion (e.g., birthday, corporate holiday party) to high-impact social projects. After a massive fire in Valparaíso, which displaced more than 10,000 residents, Ibáñez-Atkinson developed a new concept for fundraising in Chile called “*Give*” that combines the party atmosphere of a massive social gathering with efforts to raise social awareness of this need of young Chileans. The first fundraiser of this type raised enough to purchase 200 new mattresses for people who had lost their homes.

Mario Valdivia finds that the next generation is growing up with immense wealth and a sense of security, and that they have greater exposure to both social problems and potential solutions. *“The next generation has a new attitude,”* he said, *“They travel more, they are exposed to more, and as a result they are more socially engaged. They know their potential and are excited and entrepreneurial about what they can do in the social areas.”*

- <sup>1</sup> "Social Progress Index – Chile," The Social Progress Imperative, <http://www.socialprogressimperative.org/data/spi/countries/CHL>
- <sup>2</sup> "GDP (current US\$)," World Bank, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
- <sup>3</sup> "GDP per capita (current US\$)," World Bank, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>
- <sup>4</sup> "GINI Index (World Bank Estimate)," World Bank, <http://data.worldbank.org/indicator/SI.POV.GINI>
- <sup>5</sup> "OECD Better Life Index – Chile," OECD, <http://www.oecdbetterlifeindex.org/countries/chile/>
- <sup>6</sup> Celia Scruby, "Forbes reveals 12 individual and family fortunes amount to 15 percent of GDP," *Santiago Times*, March 4, 2014, <http://santiagotimes.cl/forbes-reveals-12-individual-family-fortunes-amount-15-gdp/>
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# Colombia

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Colombia at a Glance

**Population**

48.32 million

**GDP**

US\$378.4 billion

**GDP growth rate**

4.7%

**GDP per capita**

US\$7,831

**Gini index**

53.5 (2012)

**UNDP Human Development Index**

0.711 (98<sup>th</sup> of 187 countries)

**Social Progress Index**

67.24 (52<sup>nd</sup> of 132 countries)

**Poverty headcount ratio at US\$4/day**

32.8% (2011)

**Poverty headcount ratio at US\$2/day**

11.3% (2011)

**Poverty headcount ratio at national poverty line**

30.6%

**Unemployment total (of total labor force, national estimate)**

10.6% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Colombia: Country Context

Following more than half a century of civil war and unrest, during which some 220,000 people perished, Colombia is now a country in dynamic and promising transition. Peace negotiations that started in 2012, while not yet final, have created cautious optimism, and Colombians are proactively steering the nation towards a future of political stability and economic security. The country has the third largest economy in Latin America, with a national GDP of US\$378 billion in 2013,<sup>1</sup> and maintains modest levels of GDP growth, mostly fueled by commodity exports of oil and coal. In 2013, per capita income stood at US\$7,831.<sup>2</sup>

During 50 years of upheaval, right-wing paramilitary groups, left-wing guerillas, and government forces engaged in armed conflict that centered in large part around control of the multi-billion dollar drug trade. The conflict also caused significant population displacement; millions of Colombians, including many of the country's wealthy families, fled their homes in fear for personal safety, and roughly 8 percent of the Colombian population still lives outside the country.<sup>3</sup> Today, the largely-complete cessation of widespread hostilities is helping to steer the nation towards a future of political stability, economic prosperity, and personal security.

The gradual but dramatic decrease in violence has been accompanied by economic growth and the creation of substantial private wealth. According to a WealthInsight report, from 2007 to 2013 the number of millionaires in Colombia increased 39 percent compared with a worldwide decline of 0.3 percent. The country now has more than 35,000 millionaires and 435 multimillionaires (with more than US\$30 million in liquid assets), accounting for 22 percent of total individual wealth in the country.<sup>4</sup> At the end of 2014, Forbes included four Colombians in its ranking of the world's billionaires, with a combined wealth of more than US\$33.6 billion.<sup>5</sup>

While a new generation of wealth holders has emerged, overall societal well-being has not grown commensurately. Despite income growth, poverty persists and inequality has remained largely unchanged. While levels of poverty decreased nearly 10 percent from 2008 to 2012, 32.8 percent of the population still lives in poverty (on less than US\$4/day), and 11.3 percent lives in extreme poverty (on less than US\$2/day).<sup>6</sup> As such, income inequality in Colombia is persistently high. The Gini index reached 58.9 in 2007 before declining to 53.5 in 2012. This is the highest of any country included in this study and eleventh in the world overall.<sup>7</sup> And though unemployment has declined over the last decade, it still stands at 10.6 percent for the total population,<sup>8</sup> and nearly double that for youth.<sup>9</sup>

# Philanthropy and Social Investment in Colombia: Key Features and Trends

## **Long-Standing Traditions of Philanthropy**

In Colombia, charity and philanthropy are long-standing practices with deep historical roots in religion, culture, and business. As in most of Latin America, following Spanish colonization, social welfare was primarily the domain of the Catholic Church, and wealthy individuals and families supported Church-provided social services, including schools and hospitals, through *obras pías* (pious works, or individual donations) and bequests. The country's elite also supported Church-inspired private associations such as the *Saint Vincent de Paul Society* and *Caja Social de Ahorros* (Social Savings Bank), which similarly provided direct services to the needy and working class.<sup>10</sup> Wealthy Colombian families continue to provide generous support to the Church and to other programs that provide charitable assistance to the poor.

In addition to Church-related giving, for many decades some families with successful businesses have established foundations – some corporate and some independent – that operate in communities where the business has a presence. Many of these foundations have also historically focused on providing direct services to their employees, their families and their communities.

## **Scale and Scope of Giving Perceived to be Growing**

In Colombia, as throughout Latin America, there is no clear measure of the scale and scope of philanthropy or social investing. The most recent studies with any reliable quantitative data date from 1995 and 1997, and are not likely to accurately depict current levels of philanthropy within the country. Nonetheless, there is general consensus that philanthropy and social investing are increasing and will likely continue to grow. Those interviewed noted several interrelated reasons for this perception: optimism around the peace process, the country's economic growth, the concomitant increase in personal wealth, and Colombians' desire to contribute to a future of sustainable peace and economic prosperity.

## **Social Investment Strategies Widely Embraced**

In Colombia, social investment is viewed as almost entirely distinct from philanthropy. The former is understood to combine investments of resources – financial, social, and personal – that address systemic problems and create positive, lasting, and measurable change, while the latter addresses the immediate needs of the poor, but not the underlying causes of poverty.

Perhaps more than any of the other countries in this study, the practice of social investment appears to be relatively widespread among foundations in Colombia. Many individuals who were interviewed, while emphasizing that the foundation sector itself is quite small, noted that the work undertaken by foundations was in large part professional, strategic, and impactful. Individuals pointed in particular to the *Carvajal* and *Corona Foundations*, which have been working strategically in their communities of focus for decades. After conducting four focus groups with nearly 60 foundation leaders and managers, Carolina Suárez, Executive Director of the *Asociación de Fundaciones Empresariales* (Association of Corporate and Family Foundations or AFE), and Atallah Kuttab, a global philanthropy expert, wrote, "*The dominant approach by these foundations is social investment.*"<sup>11</sup>

## **Corporate Sector a Leader in Social Investment**

Corporations undertake the majority of visible social investment in Colombia. Importantly, it is difficult and perhaps misleading to make a clear distinction between corporate and private giving because many corporations are family-owned and managed. In addition, it is likely that individual giving is less visible, since many individuals and families carry out their giving privately, and often anonymously, for personal, cultural, and security reasons.

**“If you have the means to do it, you have to do it. You have to help the people. You have to help your city. You have to help what matters to you.”**

Solita Cohen de Mishan

## Infrastructure to Support Giving and Social Investment

**Asociación de Fundaciones Empresariales** (Association of Corporate Foundations, or AFE). AFE is a network working to raise the visibility of social private investment, build alliances, and promote accountability and best practices of social investing, particularly among corporate leaders and family foundations in Colombia. In only seven years, AFE has expanded from nine to 57 member foundations: 41 out of 57 are defined as corporate foundations, 14 are family foundations, and two are independent foundations.

**Filantropía Transformadora** (Transforming Philanthropy Initiative). Spearheaded by financial expert and philanthropy advocate Felipe Medina with the support of existing Colombian philanthropic efforts, the Transforming Philanthropy Initiative was created in 2010 “*to promote a change in the culture of families and prominent individuals from Colombia in such a way to change their approach from charity to one of sustainable, collaborative strategic social investment practices and great long-term impact.*” It works toward this new world of social investing by introducing families and individuals to local and international ideas, trends, and innovations around social impact. It also operates a year-long learning program to prepare next-generation philanthropists to become more effective and impactful givers.

**Give2Colombia** (G2C). Created in 2003 to encourage international philanthropic giving to support the development of Colombia, G2C has raised US\$19.4 million in the last 10 years and supported 175 projects that focused on economic development, health, education and the environment to help the country’s most vulnerable populations. G2C works with Colombian private philanthropists and corporations living abroad (mostly in the United States) to help them achieve their philanthropic goals and have long-term social impact in the country.

Despite these caveats, there are several reasons for visible corporate leadership in social investment in Colombia. First, as noted earlier, there are highly-respected foundations established by families with successful businesses that have operated for over 50 years, and many others that have been formed more recently. Secondly, over the last decade or more, CSR has grown significantly in the country. Corporate leaders have become aware of the competitive advantage and other benefits of strong CSR programs that include social investing. Thirdly, it is possible that, for wealthy families concerned with personal security, giving through a family-owned business is a way to draw less attention to personal wealth.

### Political and Policy Environment Improving

There are conflicting views regarding the political and policy environment for philanthropy and social investment in Colombia, but most see it as progressively favorable. A recent overview of giving in Colombia suggests that the general environment for philanthropy is relatively positive.<sup>12</sup> Beginning in the mid-20<sup>th</sup> century the government enacted legislation promoting civil society and giving. However, regardless of the policy environment, during decades of violence philanthropic giving became dangerous and difficult. Wealthy individuals and families became the targets of kidnappings and it became dangerous to display wealth in anyway. Many of the country’s economic elite fled the country for security reasons, and several individuals interviewed for this study noted that they had been kidnapped or had a close relative that had been kidnapped or killed.

Today, with optimism around the peace process, many individuals believed that the political environment for philanthropy is positive, and that the national government is once again encouraging private giving and public-private partnerships. Social investors and the government are realizing the potential impact of working together and both parties seem more eager to collaborate. As Carolina Suárez of AFE noted: “*Today there is a greater willingness in the public sector to work with the private social sector, represented by corporate and family foundations, and vice versa.*”<sup>13</sup>

**“We have had a very good way of life and we have a responsibility to our country. We have to work to have an impact.”**

María Victoria Villa

**“For me, it was impossible for us to tell stories of the news and realities of our country without getting involved.”**

María López

Others who were interviewed were less optimistic about the environment for philanthropy. Some believed the government (and general public) view foundations as tools for tax evasion because they are relatively easy and inexpensive to establish and are exempt from income tax. Also, several individuals noted that political corruption, particularly at the regional and local levels, is an impediment to philanthropy. Moreover, some believed that the government’s pressing need for more tax revenues trumps the creation of more favorable tax incentives for philanthropic giving.

#### **A Solid Infrastructure to Support Private Giving**

With the emergence of a stronger economy, new wealth, and increased giving, several organizations have been established to foster and support private giving in Colombia. Described in the text box, these organizations provide opportunities to learn, share experience and best practices, form partnerships, and invest in society.

#### **A Strong Tradition of Civil Society**

Despite the many years of conflict and political turmoil, Colombia has maintained a generally strong civil society. As already mentioned, in the mid-1900s, the government took over many of the social responsibilities formerly run by the Church. This action fomented the growth of independent institutions alongside government programs.<sup>14</sup> During this time, unions and community action committees flourished, although they were often politicized and heavily government-funded. Roughly 2,500 NGOs were created between 1961 and 1980,<sup>15</sup> and U.S. foundations supported numerous NGOs that promoted democracy and human rights. Today, there are more than 7,000 registered NGOs in Colombia.<sup>16</sup> As the NGO Law Monitor, published by the International Center for Not-for-Profit Law emphasizes: *“Colombia has strong, sophisticated civil society organizations, including human rights organizations, peace building entities, community-strengthening initiatives, women’s rights groups and academic and research centers.”*<sup>17</sup>

# Philanthropic Motivations and Influences

Like their peers elsewhere in Latin America, interviewees in Colombia discussed many reasons for engaging in philanthropy. The two most frequently cited motivations were a feeling of social responsibility and the influence of family values. Similarly, survey respondents rated these as the most important motives for giving. Additional reasons included the influence of peers and role models, a connection to corporate activity and goals, and, critically, the emergence of a level of political stability conducive to civic engagement and private giving.

## A Growing Sense of Social Responsibility

Without exception, individuals emphasized their sense of responsibility to give back or contribute to society. The majority passionately described their philanthropy as an expression of duty, obligation, and social justice in the face of persistent poverty and wealth disparities. Interestingly, as described later in this chapter, there was also a strong perception that most Colombians did not share the same sense of moral obligation or social responsibility.

For example, in describing her philanthropic influences, María López, director of sustainability at the independent media organization *Publicaciones Semana* (*Semana Publications*) and founder of *Fundación Semana* (*Semana Foundation*), highlighted economic and social disparities in Colombia. While recognizing some improvement in recent decades she noted, “*There are two Colombias – there is this Colombia*” she said, gesturing at her modern office overlooking downtown Bogotá, “*and there is another Colombia that lives in poverty with many unsatisfied basic needs, no clean water, no opportunities. There is such a huge gap between the richest of the rich and the poorest of the poor. Anyone who can help must help. We have to close the gap.*” Similarly, María Victoria Villa, an individual social investor who has engaged in philanthropy for more than 20 years, noted, “*We have had a very good way of life and we have a responsibility to our country.*”

Carlos Enrique Cavelier, CEO and Dream Coordinator of *Alquería*, one of the region’s largest dairy distributors, and board member of *Fundación Cavelier Lozano* (*Cavelier Lozano Foundation*) echoed this sentiment: “*We really are born by chance. We’re only on earth for a little while. We need to make the best of it for all the people around us.*”

Vicky Chehebar also emphasized the increasing awareness of social justice needs and the desire of the wealthy to become more engaged. As an individual philanthropist and active volunteer through the work of *Techo* (Roof), a community development organization building homes in impoverished areas, she noted that traditional charitable practices have been changing and that some of her peers want to be part of a larger and stronger social movement.

## Giving Reflects and Reinforces Family Values

Because the sense of social responsibility is closely linked with family values, almost all individuals explained that giving was at the core of their family values and that the philanthropic practices of relatives inspired their own activities. Elena Mogollón, founder of *Fundación Granitos de Paz* (*Seeds of Peace Foundation*), spoke of the influence of her grandmother, a full-time philanthropist and one of the founders of the *League Against Cancer in Cartagena* and *Sociedad de Amor a Cartagena* (Society of Love in Cartagena): “*My grandmother’s passion was philanthropy. It played such an integral role in her life that it seeped into all of our daily routines. From an early age, I followed her everywhere, and my devotion to her soon parlayed into the same love of social contribution. Granitos de Paz is a continuation of a journey I began at her side.*”

Some individuals mentioned other family values that influenced the focus of their giving. For example, Carlos Enrique Cavelier was heavily influenced by his grandfather’s passionate commitment to education. He shared the following, “*My grandfather had a huge library – the largest asset the family had – and at his passing, it was sold to educate my mother.*” Through the *Cavelier Lozano Foundation*, the family retains this commitment to education by endowing financial scholarships so that others have access to quality schooling.

## Need for More Philanthropic Role Models

A large number of interviews referred to non-family individuals or mentors who served as beacons that illuminated their own decisions to engage in philanthropy. In particular, several individuals cited the *Corona* and *Carvajal Foundations*, two of the oldest and most venerable and successful foundations working in Colombia.

## “Example is not the best way to teach people – it’s the only way.”

Carlos Enrique Cavelier

## “The best encouragement to giving is by example.”

Solita Cohen de Mishan

While acknowledging the important influence of role models, most believed that there was scant information about the work of many individuals and less well-known foundations. Indeed, among this study's cohort, many individuals were unaware of one another's work. Several individuals emphasized that Colombia needed more visible role models in order to create a larger, more vibrant and more effective philanthropic sector in the country.

Nathalie Renaud, former strategic alliance manager of the *Transforming Philanthropy Initiative*, sees emerging philanthropists as some of the best potential role models for future philanthropists. She emphasized how invaluable it is that more prominent individuals are now willing to talk about their philanthropic efforts openly, in hopes of influencing newcomers: “*The Next Generation of philanthropists are setting examples. They're telling their peers, 'If I can do it, you can do it.'*”

### Corporate Responsibility Motivates Giving

In addition to personal motivations, a number of individuals indicated that philanthropy has long been an essential part of business and that there is a growing expectation from the public that companies should engage in CSR activities, including social investing. Many offered the belief that businesses could not prosper in a failing society. As Elena Mogollón noted, “*Corporate Social Responsibility is essential to the private sector's continued longevity and prosperity. Such programs provide an opportunity for the private sector to show its commitment and responsibility to the communities and people that sustain them.*”

A leader of the *Bolívar Group* characterized the Group's long-standing dedication to employee engagement, corporate social responsibility, and philanthropy as core to the Group's business success. He emphasized that such community support is not only intrinsically worthwhile, but also helped grow the business and bolster the Group's image. And Fernando Cortés McAllister, vice president of social responsibility for the Group and executive director of *Fundación Bolívar Davivienda (Bolívar Davivienda Foundation)*, talked about how this works in practice. The Foundation operates an extensive employee engagement program, with 21 regional committees overseeing social projects and volunteer initiatives within their territories. In sum, “*The Foundation strengthens the Group internally.*”

“*One of the great things that is happening as we move towards a peace treaty is that we're all thinking about what we can do in Colombia when we no longer have violent conflict. Something great is happening and we have to be part of it.*”

Fernando Cortés McAllister

*The Foundation brings together not only the family, but the employees. They are proud to be part of the corporation and our community programs.”*

As part of a new business venture, María Victoria Villa also considered social investing to be a core business mission of the company and that building it into their culture was essential. As she indicated, “*The first thing Colombians should do, and we're trying to do it here, is apply philanthropic ideas in their own businesses. We want our employees and the public to know that we as a family are willing to help.*”

### Contributing to the “New Colombia”

As economic, social, and political stability continues to improve in Colombia, many interviewees emphasized their desire to play a personal role in Colombia's transition. Experts, too, viewed the peace process and growing economy as strong stimulants for philanthropy. José Octavio Carrillo, director of *Ashoka Colombia*, explained, “*My perception is that Colombians are very proud of their country and feel very attached to it on a personal level. I think they now recognize that they have a bigger role to play in its social development and are ready to contribute.*” Felipe Medina, founder of the *Transforming Philanthropy Initiative*, acknowledged that Colombia continues to face many challenges, but emphasized that the country is moving towards a tipping point where private philanthropy can truly help to create social change.

Several people noted that there is cautious optimism that the peace process will be successful, the country will continue on a strong, stable path. Fernando Cortés McAllister exemplified many people's optimism: “*One of the great things that is happening as we move towards a peace treaty is that we're all thinking about what we can do in Colombia when we no longer have violent conflict. Something great is happening and we have to be part of it.*”

# Philanthropic Priorities and Purposes

In light of the motivations identified, and particularly the desire to help build a strong, peaceful, and equitable Colombia, it is not surprising that many individuals focus their social investments on initiatives aimed at reducing poverty and inequity, in addition to building stability and socioeconomic development.

## **Education Key to Individual Attainment and National Development**

Almost all individuals interviewed indicated that education was a top priority for the country. Most people emphasized the role of education in providing individuals with an opportunity for a better life, as well as its critical role as an engine of national development.

For many years, education has been deeply embedded in the work of *Fundación Luker* (*Luker Foundation*) and Marcela Restrepo, a member of the Foundation's board, believes deeply in its power to create lasting change and richer, more fulfilling lives. By adapting an innovative program designed for children of migrant coffee workers to urban school settings, the *Luker Foundation* discovered some very impressive results. The Foundation has partnered with the local government and now implements the *Escuela Activa Urbana* (Urban Active School) curriculum in 15 schools, directly benefitting 14,261 students in Manizales, and impacting 38 percent of public schools in the area. An independent evaluation of the program found that students in Urban Active Schools outperformed students in Manizales' public schools, as well as the national public school average, in reading, mathematics, and natural sciences. A higher percentage of students also demonstrated satisfactory or advanced levels of civic skills compared to their peers' in public schools.<sup>18</sup> In 2013, the *Corona Foundation* recognized the program as a model initiative. In addition to educational achievements the model has had broader impact on the students. "The model creates a very different kind of citizen," Restrepo said. "It teaches the students how to work collaboratively and to negotiate. Both boys and girls are expressing themselves and participating equally. I think we are helping to shape students to become more engaged and effective citizens."

Maria Victoria Villa described her family's philanthropic commitment to education through Lumni, Inc., a social investment fund operating in Chile, Colombia, Mexico, Peru and the United States. The Fund provides flexible education loans for low- and very low-income, first generation college students. The objective of the program is to provide students access to college without burdening them with high debt upon graduation.<sup>19</sup> After hearing a presentation, Villa and her husband were inspired by the investment model and decided to partner with them: "*It's a very interesting model, it's an investment [and] we want to be part of it. I believe in it.*"

In another important educational effort, the *Cavelier Lozano Foundation* operates the *Talentos Excepcionales* (Exceptional Talents or TExc) program for high-achieving, low-income students, as well as teacher trainings, scholarships, and additional academic-related activities. In Cajicá, the Foundation has provided institutional support for six schools, including 22 teacher trainings and ultimately reaching more than 8,000 students.

## **Creating a Laboratory of Peace and Healing**

As Colombia emerges from 50 years of violence and conflict, several individuals and families are contributing to the critical and difficult process of peacebuilding and reconciliation, often bringing historical adversaries together in order to solve pressing problems.

Peace and reconciliation is the exclusive focus and driving vision of the *Semana Foundation*, a mission spearheaded by its founder and current chairman of the board, María López. She describes the catalytic moment that defined the Foundation's existence and focus: "*The El Salado massacre of 2000 – where paramilitary forces went on an unfathomably brutal slaughter of 66 people – really is the reason the Semana Foundation exists. We were astonished that this massacre was barely remembered by the general public and nothing had been done to help the community. It was as if our society had collective anesthesia from all the violence that we see every day in the news. We wanted to move all the emotional fibers of society. We wanted to inspire. We wanted people to believe that change is possible if we act collectively. We made the decision to go to El Salado and make a laboratory of peace to help reconstruct the social fabric of El Salado from a multidisciplinary approach.*"

**“We [private foundations] can do critical things that the government cannot do at this point. We have the ability to take risks, try out new models. Fail, learn, adjust. We can highlight controversial issues and bring together diverse groups to try and solve them. We can engage directly with the communities that have been severely damaged and try and help them heal and rebuild.”**

María López

Founded in 2009, the *Semana Foundation* partnered with the *Carvajal Foundation* to develop its approach of “mixing real needs with cultural needs” to rebuild infrastructure, health services, education, and economic opportunity in tandem with emotional healing and a cultural revitalization of the community. Based on the success in El Salado, the Foundation was invited by the local government to expand to San Basilio del Palenque in 2012, and it plans to expand to a third village in the Montes de María region.

Another foundation deeply engaged in the reconciliation process is *Fundación Alvaralice (Alvaralice Foundation)*, established by the Garcés-Echevarría family. In a major effort to support peacebuilding, the Foundation operates in four critical axes of intervention: reflection and dialogue, income generation, civic action, and education and culture. In 2005, the Foundation convened the *International Symposium for Restorative Justice and Peace in Cali*, with support from more than 50 partners and collaborators. The symposium featured both Nobel Peace Prize laureate Archbishop Desmond Tutu and Colombia’s then-President Álvaro Uribe, and brought together more than 1,600 diverse representatives of civil society, government, military, business, and religious groups.<sup>20</sup> In addition, the *Alvaralice Foundation* has partnered with the Colombian nonprofit *Fundación Paz y Bien* (Peace and Good Foundation) to create three restorative justice centers – Francisco Hope Houses – in Aquablanca, an impoverished community of displaced persons in Cali. The program provides restorative justice alternatives to high-risk adolescents involved in gangs, drugs, or violence and has engaged 150 young people through educational and training opportunities.<sup>21</sup>

#### **A Strong Community Development Approach**

While some social investors focus on a specific issue such as education or reconciliation, others begin with a place-based approach that focuses on a specific community in order to promote the well-being of its citizens and the vibrancy of the community. Several active social investors in Colombia employ this holistic strategy.

The *Carvajal Foundation* is one of the largest and most highly respected philanthropic institutions in Colombia and well known for its community development approach. Concentrating its efforts where the *Carvajal Group* and family are based, the Foundation’s aim is to “promote a better quality of life in the neediest neighborhoods in Cali and in the countryside around the Valle del Cauca Department.”<sup>22</sup> The Foundation works in four complementary areas – income generation, education, housing, and social development – and has provided services to more than 42,000 individuals since its establishment in 1961. Its work embodies the philosophy that success is “based on the identification and maximization of the abilities in the communities themselves.” Moreover, the Foundation has received numerous awards and recognitions for its work.

The *Seeds of Peace Foundation* carries out efforts to improve the quality of life in the Rafael Núñez barrio of Cartagena: a neighborhood of 13,000 living in extreme poverty, where the average household income is roughly US\$100 per month.<sup>23</sup> Through its integrated approach and its partnerships, the Foundation has provided early childhood education to more than 1,100 children and health care to 3,000 residents, delivered 300,000 meals to local seniors, and improved 295 inadequate homes through new building materials. Founder Elena Mogollón expressed the importance of the Foundation’s holistic approach of combining different, if related, activities: “We are not working on one problem. Our model is sensitive to the symbiosis of a community. Should a family engage with us, they will move beyond extreme poverty and be set on the road for a better future.”

### **Addressing Child Mortality and Underlying Causes**

Catalina Escobar, Founder of the *Fundación Juan Felipe Gómez Escobar (Juan Felipe Gómez Escobar Foundation or Juan Fe Foundation)*, undertook a year-long research process to understand the community issues in Cartagena, explaining, *"If you want to create an impact, you have to know what the worst is. Cartagena had the worst infant mortality rate, not only in the country, but in all of South America."* She discovered that infant mortality in Cartegena was largely associated with teenage mothers who were trapped in a cycle of poverty. Armed with this knowledge, the Foundation established two primary objectives: to reduce child mortality and to improve the well-being of teenage mothers. To directly address child mortality, the Foundation built a neonatal intensive care unit in the Rafael Calvo Maternity Clinic, established the *Juan Felipe Medical Center* to provide continued medical care to children treated in the neonatal unit, and created an infant development center to support teenage mothers' infants' healthy development through their first twelve months. To break the poverty trap leading to infant mortality, the Foundation also started teenage mothers programs to provide emotional and psychological counseling, vocation and life skills training, and links to income-generating opportunities.

Since 2001, the Foundation has invested more than US\$26 million in health and poverty reduction initiatives. According to a 2014 summary, the child mortality rate at the Rafael Calvo Maternity Clinic, which provides half of the deliveries in Cartagena, has decreased by 65 percent since 2002. The Foundation has also attended to more than 122,500 patients through the Medical Center and nearly 3,000 young mothers through its emotional and psychological support programs. While not entirely attributable to the Foundation, it is notable that between 2001 and 2006 the mortality rate of the city of Cartagena decreased by 81 percent.

### **Bringing Latin American Art to the World**

From an early age, Solita Cohen de Mishaan has recognized the power of art to enrich and transform every aspect of life. Driven by a desire to make Latin American art more accessible to the masses and to support the artistic community of Colombia, she created the *Fundacion MISOL para las Artes, (MISOL Foundation for the Arts)* in 2013. Founded on a combination of personal passion and social consciousness, Cohen de Mishaan elaborated on her hopes for MISOL: *"As an art collector, I have evolved so that I know that my role now is to be a champion of the arts in the social sector, to contribute my knowledge and connections – not only for Colombia, but for all of Latin America."* The Foundation supports scholarships and artists' residencies to encourage cultural exchange and showcase Latin American art on the international stage. As part of this effort, MISOL has formed an alliance with *SAM Art Projects*, an initiative supporting dialogue and interaction between contemporary artists from France and those in developing countries, in order to provide Latin American artists with an annual residency in Paris.

# Philanthropic Platforms and Strategies

Philanthropists and social investors in Colombia have employed a variety of platforms and strategies to realize their goals and achieve impact, and foundations operating community-based programs have been an important part of the philanthropic landscape for decades. More recently, concepts including social investment, grantmaking, impact investing, and other practices have led to an increasingly diversified sector.

## A New, Entrepreneurial Mindset about Philanthropy

Those interviewed made a clear distinction between the concepts and practice of charity, including philanthropy, and social investing. While charity was seen as an important and necessary means to ease the immediate suffering of the poor, social investing was viewed as a strategic long-term commitment to achieve lasting societal impact. Though many individuals found that most giving in Colombia continued to be charitable, they believe there is an important shift taking place with increasing interest and practice of social investing.

Carolina Suárez of AFE observed a significant shift in the mindset of younger people: *"They don't connect with the word philanthropy. They see that maybe their parents were philanthropic, but they are looking for more impact. They want to invest in programs that create real change and social transformations through social private interventions."* José Octavio Carrillo of Ashoka Colombia was optimistic about this shift and foresees great potential for social investment in Colombia: *"We have the perfect ecosystem for that shift to happen and in a faster way than other countries. Colombians have an entrepreneurial spirit and with the prosperity of the country, you see new families coming in to the action."*

Others emphasized the critical need to accelerate this shift in thinking by changing people's long-standing mindsets about charity and transforming them into social investing philosophies and actions.

## Foundations Show Variety of Investment Strategies

As part of this movement towards social investment, many individuals in Colombia have created foundations (or similar structures) to carry out their giving. In Colombia, philanthropic institutions are commonly distinguished as either first- or second-floor foundations. First-floor foundations operate projects and programs directly supported by an endowment or via pass-through funds and donations from other individuals or entities. Second-floor foundations do not operate programs directly, but rather provide resources to third-party entities in the form of grants, scholarships, or other donations. In a survey conducted by AFE in 2014, 30 members self-identified as first-floor, 18 as second-floor, and 8 as a mixture of first- and second-floor foundations.<sup>24</sup> The strategy that individuals or entities select reflects both practical considerations, such as resource levels and expertise, as well as one's philosophical belief about philanthropy's role in society.

Several individuals involved in operating their own projects noted the limitations of civil society's capacity in some areas. Catalina Escobar found direct implementation to be central to the success of the *Juan Fe Foundation*, as well as personally fulfilling. As a volunteer in a poor Cartagena hospital in 2000, Escobar was shaken after witnessing a newborn die because his teenage mother could not afford preventative medicine totaling just US\$30. Only days later, her own infant son died suddenly. This catalytic moment prompted the launch of the *Juan Fe Foundation*, named in honor of her son. The Foundation created the Neonatal Intensive Care Unit and the Juan Felipe Medical Center, as well as related programs, because, *"There was no infrastructure and no one to provide these services. We had to develop the infrastructure and the systems and the economies of scale to create real change."*

For those who have chosen a second-floor approach, the ability to access the expertise and experience of respected CSOs is highly appealing. Explaining *Bolívar Davivienda Foundation's* decision to provide resources to other organizations, Fernando Cortés McAllister explained, *"We fund in different communities and different issue areas. It does not make sense for us to develop in-house expertise in all these areas. Through grants, we invest in new solutions and also in strengthening the organizations that create them. It's a multiplying effect."*

**“We need to encourage social investors to co-create, co-design, and co-invest.**

**With collaboration we can create real and lasting impact, and build a stronger philanthropic community.”**

Felipe Medina

Carolina Suárez noted the dominance of first-floor foundations in Colombia. She observed that the majority of social investors within the AFE network have been concerned with seeing the direct impact of their work and that “*they want to have direct contact with communities. Sometimes, the grantmaking chain is too long and diffuse.*”

Nathalie Renaud of the *Transforming Philanthropy Initiative* emphasized that not everyone has the resources or time to create an institution and/or operate programs: “*To start a foundation you have to have a lot of commitment and a long term view. Many people want to effect change, but they don’t always want to commit time to running their own programs or have the capacity to hire the expertise to do it.*” Although she recognized grantmaking as a trend among the *Transforming Philanthropy Initiative* network, she also identified lack of trust in the nonprofit sector as a major barrier to its expansion.

#### **Partnership and Alliances Increasing**

Moving beyond their capacity to affect change as a family or individual, several social investors noted the importance of partnerships for achieving their goals. Partnerships can include a variety of actors, including other foundations, implementing organizations, government entities, and corporations. They can also take on a variety of forms, ranging from financial support to strategic mission alignment to co-funding. The increased professionalism and transparency make alliances easier to form.

For the *Semana Foundation*, partnerships were essential to the success of rebuilding El Salado. At the outset, the Foundation asked the *Carvajal Foundation* for guidance and employed *Carvajal’s* community engagement methodology. Over time, *Semana* has built an alliance of 140 organizations that bring a strong array of skills, expertise, and resources to its work. Through these alliances and financial commitments, María López asserted that: “*Every cent that Semana puts into the Foundation is multiplied by 21 through its partners.*”

Marcela Restrepo emphasized the importance of partnerships with the public sector. She recalled, “*Initially, as a family we were very reluctant about working with the public sector, but we knew we couldn’t replace them. At the beginning, it was very hard. Now, 12 years later, for every Colombian peso that the Luker Foundation puts into its education projects, the local government puts in 1.5 pesos. They are a key partner for us.*”

Felipe Medina, founder of the *Transforming Philanthropy Initiative*, also emphasized the critical importance of closer collaboration: “*We need to encourage social investors to co-create, co-design, and co-invest. With collaboration we can create real and lasting impact, and build a stronger philanthropic community.*”

#### **Interest in Impact Investing on the Rise**

Both the interest and practice of impact investing in Colombia appears to be expanding rapidly. According to a Bain and Company report of impact investing in Latin America, Colombia, along with Brazil and Mexico, is a hub of impact investing in the region with approximately US\$50 million invested in the country.<sup>25</sup> A 2014 report by LGT Venture Philanthropy indicates that there are at least 21 funds now operating in the country.<sup>26</sup> As another indicator of interest, both Acumen, a global nonprofit that uses charitable donations to invest in entrepreneurs tackling poverty, and Bamboo Finance, a commercial firm that actively supports and invests in business models that benefit low-income communities, have recently opened offices in Bogotá.

Not surprisingly, impact investing is of particular interest to some social investors who possess business backgrounds. Several social investors praised its ability to support entrepreneurs and strengthen small social enterprises. Investors often complement their financial investment with support for capacity building, training, and/or leadership development.

*Fundación IC (IC Foundation)* entered the impact investing space about seven years ago, and Alberto Carrizosa, chairman and co-founder, explained that this was a natural complement to the family business, which includes ownership of a mortgage bank and a 40-year history of making credit accessible to as many people as possible. As he described:

*"The Foundation is providing credit – very high risk loans at low interest rates – to communities that are not accessing the financial market yet. We're also trying to strengthen their social capital through financial and entrepreneurship training, to promote local leadership."* Carrizosa also stressed that multi-national entities need to adapt their approaches and practices to local contexts. *"This sector is very open to international participation, but impact investors will have to reevaluate their criteria. There's a huge gap between the micro-lenders and impact investors, and that's where we are."*

Fernando Cortés McAllister's business background influenced *Bolívar Davivienda Foundation*'s decision to enter the impact investing space. In 2010 the Foundation, together with 13 partners, was a founding member of *Inversor*, which provides investment capital to small and medium enterprises, as well as technical assistance and expertise for capacity building. To date, the fund has provided support for four enterprises, with investments ranging between US\$500,000 and US\$1.5 million each.<sup>27</sup>

# Looking Ahead: Challenges and Opportunities

Based on the interviews, there is a sense of genuine excitement about the role of private giving and social investment in Colombia. People point to highly effective and long established foundations, more recently established private and corporate foundations, and the philanthropic activities of many prominent Colombians as indications of philanthropy's increasing potential. AFE's growing membership and the *Transforming Philanthropy Initiative*'s well-attended programs and courses are further evidence of the philanthropic sector's energy and dynamism. Experts at the *Transforming Philanthropy Initiative*, AFE, Give2Colombia, and Ashoka all shared enthusiasm about the potential impact of philanthropy in the country. At the same time, Colombians acknowledge that all parties need to surmount a number of formidable hurdles in order to accelerate the sector's development and ultimately realize its full potential.

## Fostering Social Responsibility and Solidarity

Social divisions have characterized Colombian society for centuries, with geographic, economic, ethnic, and political distinctions all contributing to the chasms. Social circles are often exclusive and intimate, a pattern reinforced by an environment of mistrust during periods of political violence.<sup>28</sup> More than a few individuals spoke about the insular nature of Colombia's wealthy families, and one described the "crystal bubble" in which many wealthy reside: "*The wealthy minority often don't even look at the challenges that the majority face. There are too many people with no conscience and no interest.*"

However, a number of individuals also spoke about the importance of "*changing hearts and minds*" to encourage a more socially-conscious and compassionate view of the world. Many individuals stressed the need for a concerted effort to expose economically-advantaged youth to the harsh realities of poverty and to reinforce the values of community and caring through the educational system. As described earlier, a majority of individuals in this study referred directly to their own upbringing and family values as catalysts for their philanthropic interests and activities.

Some are already passing this heritage to a much younger generation. As an example, Vicky Chehebar described her first-hand experiences as a step toward creating a more united and generous society. She volunteers with her young children in poor neighborhoods, helping community members to build homes, and has noted an increasing interest among her friends and peers who are eager to do the same. She views this as a strong catalyst for philanthropy. "*One of the most effective ways to promote more giving is to expose people to the problems, to see how the poor really live. When you plant the seeds when they're young, half the work is done.*" Through exposure to social issues and engagement in civic action, more families – particularly future wealth-holders – may be prompted to give and act more generously.

## Partnerships Perceived as Critical but Limited

While several interviewees asserted that partnerships with government were much more challenging than exclusively private or nonprofit alliances, many acknowledged the importance of collaborating with government to scale projects. However, even those who had a generally positive working relationship with the national government believed that government corruption at the regional and local levels was so pervasive that social organizations could barely operate and that partnerships were difficult at best. Yet some individuals reported encouraging examples of cooperation. As mentioned earlier, the *Luker Foundation* partnered with the local government of Manizales to implement the *Urban Active School* curriculum in 15 schools, reaching nearly 15,000 students in Manizales. María López found that the influence of *Semana Publications* played a significant role in fostering cross-sector collaboration with private funders, NGOs, and government: "*The corruption at the regional level is huge and creates an impediment for social organizations to work. We are a media group that gives the social work the credibility of transparency and the political world the pressure of accountability. That is a privilege that we have to use.*"

# “We have to expose people to what philanthropy can achieve anywhere and everywhere.”

Solita Cohen de Mishaan

## Efforts to Build Confidence in the Nonprofit Sector

Although the nonprofit sector in Colombia is often described as stronger and more robust than those in other Latin American countries, many individuals remarked on the lack of trust in individual NGOs. While these comments sometimes reflected a concern about honesty and integrity, more often they were related to a perception that NGOs, with many notable exceptions, often lack capacity and professionalism. Some indicated that this view is a key reason that individuals choose to create first-floor or operating foundations rather than providing grants or other support to CSOs. The dominance of operating foundations may reinforce the lack of confidence in NGOs, since there is limited support for building either capacity or transparency in the nonprofit sector. Unfortunately, that could preclude or undercut the building of collaborative efforts that could lead to higher degrees of trust.

Despite this situation, there are a few cases that highlight the important role philanthropy can play in strengthening NGO capacity and improving cooperation between funders and recipients, particularly those active in impact investing. Alberto Carrizosa of the *IC Foundation* said, “*There are a lot of grassroots business models living in very precarious situations and struggling to make ends meet. We want to strengthen the communities and social capital within them to promote local leadership and invest in early-stage businesses to develop their full potential.*” Fernando Cortés McAllister shared this view: “*We feel that the social sector is really important for the economy and the country. Foundations and philanthropists should give a lot of support to local governments and local NGOs to make them stronger. Those are organizations that will make an impact in this country.*” By investing in the infrastructure and leadership of the NGO sector, these cases and others like it can help expand the impact of their philanthropy, as well as create lasting establishments that promote social benefits and well-being.

## Need to Demonstrate Philanthropic Impact

A common theme among interviewees and survey respondents was the need for more information about the scope, activities, and – most importantly – impact of private giving and social investment in Colombia and beyond. Many suggested that demonstrating impact would be the most compelling factor

in motivating them to personally give more, as one of the key strategies for developing more philanthropy and social investment in the country.

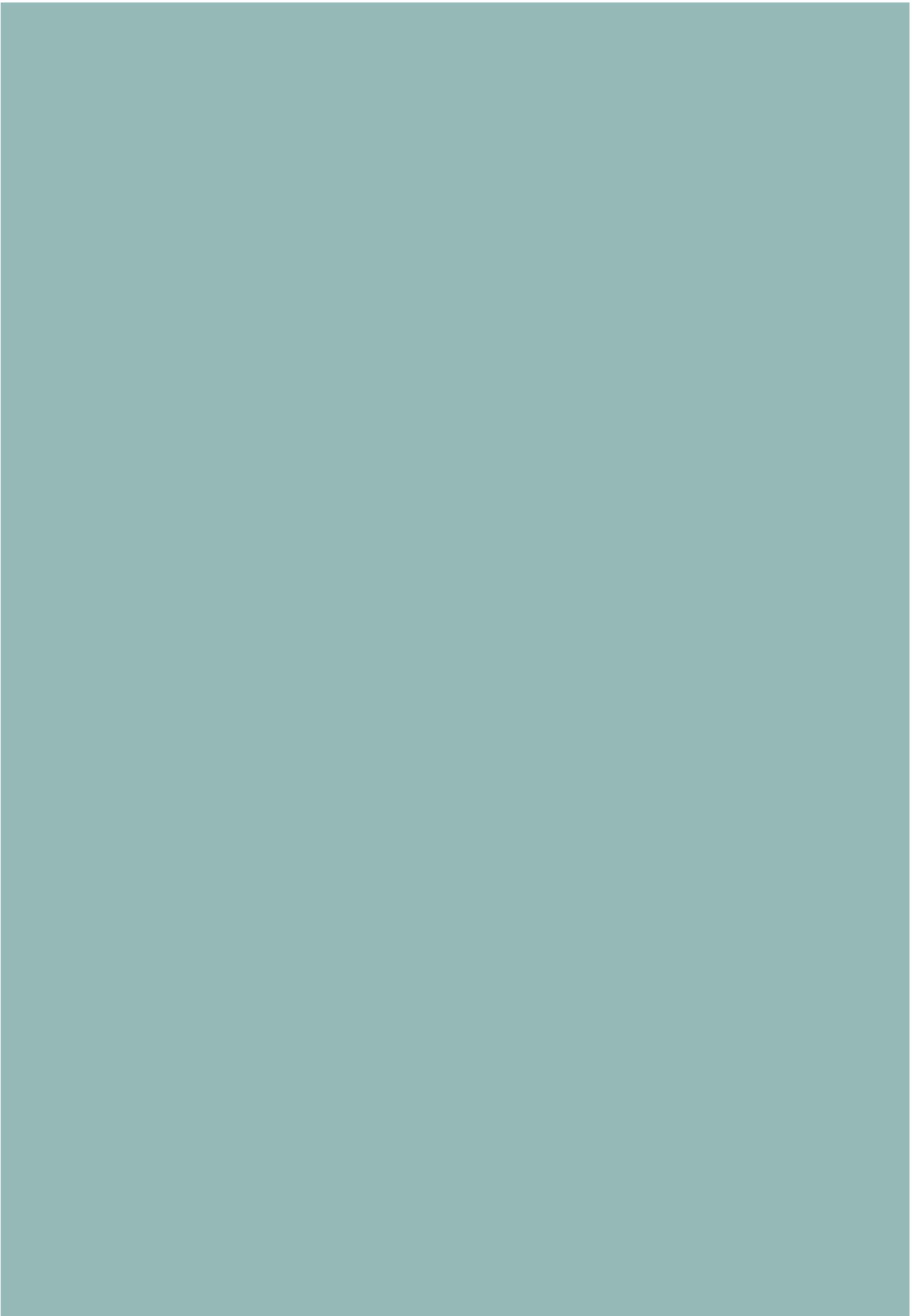
Solita Cohen de Mishaan remarked, “*We need to share our experiences. People need to learn what is happening in Colombia, but also elsewhere in Latin America, and in Asia, the donor nations, and the rest of the world. We have to expose people to what philanthropy can achieve anywhere and everywhere.*” Nathalie Renaud of the *Transforming Philanthropy Initiative* described several ways support organizations could respond to this need, including: promoting effective communications, peer-to-peer learning, role modeling, and storytelling.

AFF’s Carolina Suárez also emphasized the need for the philanthropic sector to demonstrate more openness, transparency, and accountability in order to counter concerns that foundations could be used to avoid tax payment or secure favorable contracts and other kinds of agreements with government entities. Encouragingly, a good number of foundations included in this study have taken steps toward transparency, for example, by publishing a public annual report with financial information and programmatic outcomes, or engaging independent evaluators to better understand and improve their social return on investment. In addition, AFF is working to make the funding initiatives of its member foundations available to the public and to share best practices in transparency and accountability with its members and other social sector organizations. The AFF website now includes an interactive map that provides detailed information on the projects and initiatives of its members.

This study has highlighted many examples of innovation, as well as the impacts of private giving and social investment in Colombia. It has also shown the ingenuity and innovation, commitment and compassion, and civic engagement and social solidarity of many of Colombia’s wealthy individuals and families. With continued peacebuilding, political stability, and economic growth, combined with deliberate efforts to bring more visibility to the sector, to create a community of social investors, and to engage the next generation more actively, private giving and social investment will become an inextricable part of the country’s social fabric.

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# Mexico

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Mexico at a Glance

**Population**

122.3 million

**GDP**

US\$1.261 trillion

**GDP growth rate**

4.7%

**GDP per capita**

US\$10,307

**Gini index**

48.1 (2012)

**UNDP Human Development Index**

0.756 (71<sup>st</sup> of 187 countries)

**Social Progress Index**

66.41 (54<sup>th</sup> of 132 countries)

**Poverty headcount ratio at US\$4/day**

23.7% (2010)

**Poverty headcount ratio at US\$2/day**

4.5% (2010)

**Poverty headcount ratio at national poverty line**

52.3% (2012)

**Unemployment total (of total labor force, national estimate)**

4.9% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Mexico: Country Context

With a population of more than 122 million, Mexico is a leading regional and emerging global power that has undergone sweeping changes in recent decades. Facing economic collapse only two decades ago, Mexico has now become the second largest economy in the region, behind Brazil. In 2013, Mexico's GDP was US\$1.26 trillion – more than double what it was 20 years ago.<sup>1</sup> A combination of national structural reforms and significant international support that promoted economic stability and growth helped to engineer this remarkable transformation.

Mexico's economic growth has engendered significant and concentrated private wealth accumulation. According to WealthInsight, there were 145,000 millionaires in Mexico in 2012, with combined wealth of US\$736 billion, and this population is expected to grow 47 percent by 2017.<sup>2</sup> Forbes' 2013 billionaires' list included 15 Mexicans, a 50 percent increase from 2012, who together held a collective US\$148.5 billion. In the same year, Forbes named Carlos Slim as not only Mexico's, but the world's wealthiest individual, with estimated assets of US\$73 billion.<sup>3</sup> Like several other countries in this report, wealth is highly concentrated in Mexico, with the richest 10 percent of the population controlling nearly 40 percent of income in the country.<sup>4</sup> In 2012, Mexico's Gini index was 48.1, higher than Argentina and Peru, but lower than Brazil, Chile, and Colombia.<sup>5</sup> Mexico's relatively large number of HNWIs and UHNWIs exacerbates this disparity.

The country's growing economic prosperity has not resulted in sufficiently improved social welfare for all its citizens. Incomes have seen modest, steady increases in the last decade and the 2013 GDP per capita was US\$10,307.<sup>6</sup> In 2010, 23.7 percent of Mexicans were living in poverty (on less than US\$4/day), still relatively high, although a significant decrease from the 40 percent rate only 10 years earlier. More promisingly, the population living in extreme poverty (on less than US\$2/day) dropped from approximately 15 percent in 2000 to 4.5 percent in 2010.<sup>7</sup> In addition, Mexico continues to face substantial social challenges directly and indirectly linked to violence, drugs, and organized crime.

Optimistically, with continued economic growth, concerted efforts to increase access to education, health services, housing, and other basic services, and the concomitant efforts to dramatically reduce the underlying causes of violence, Mexico will continue on a path to strong and equitable social well-being.

# Philanthropy and Social Investment in Mexico: Key Features and Trends

Centuries of cultural and religious practices, changing political powers, and fluctuating economic conditions have strongly influenced today's environment for private giving and social investment in Mexico. In recent decades, Mexico's stable democracy, steady economic development, and growth of personal wealth have provided the prerequisites for philanthropic growth. In addition, international foundations have sought to promote philanthropy within the country. Though the environment for philanthropy is dynamic and continues to evolve, several current aspects and trends of the current philanthropic landscape are worth highlighting.

## **Historical Role of the Catholic Church**

In Mexico and throughout Latin America the history of philanthropy is inextricably linked to the Catholic Church. While the extent to which current giving directly benefits the Catholic Church is unknown, there is widespread agreement that faith-based tenets continue to influence giving. In Mexico, the Church was the primary beneficiary of charitable giving throughout the colonial era and into the early 20<sup>th</sup> century.<sup>8</sup> Individuals gave directly to the Church to support both the institution itself and the social welfare services it provided to the vulnerable and needy. At the same time, some wealthy families established their own philanthropic entities to conduct charitable activities that were similar and often related to those of the Church.

## **Philanthropy Evolves with Government Changes**

In the late 1800s, the Mexican government began to consolidate power and become the main provider of social welfare services. Secular organizations also played an increasingly important role in addressing social needs and advocating on behalf of the poor. Then, in the first half of the 20<sup>th</sup> century, the government of the Institutional Revolutionary Party (PRI) and social organizations became increasingly intertwined, benefiting organizations with ties to the PRI and nearly eliminating the role of an independent civil society.<sup>9</sup>

New developments prompted the transformation of Mexico's civil society between the 1960s and 1980s, and catalyzed growth and change in the philanthropic sector as well. A notable example of this was the student-led movement of 1968, which pushed for greater autonomy and political freedoms, as well as democratization of CSOs. Unfortunately, the government employed violently repressive tactics in its efforts to suppress these movements. In turn, this violence generated significant public backlash against the government and generated even stronger pressure for an independent civil society.<sup>10</sup> Some foundations in Mexico began to shift their focus from addressing individuals' basic needs to advancing more widespread social development, thereby responding to the demands of new social movements and development needs, including economic inequality, poverty, and indigenous rights.

In the 1980s, the combination of economic turmoil and the devastating aftermath of the 1985 Mexico City earthquake further solidified the independent and important role of civil society and philanthropy. As financial pressures spread and the government's provision of social welfare waned, private philanthropy responded to growing social needs. In 1985 and 1986, for example, 10 new foundations were established in support of Mexico's social development.<sup>11</sup> Later, the 2000 presidential election brought the National Action Party into power, ending seven decades of PRI control, and ushering in new efforts to support an improved relationship between the government and civil society, although some tensions still remain.<sup>12</sup>

While civil society and philanthropy have continued to evolve, experts and interviewees noted that the Mexican government and the majority of the public believe that independent philanthropy's role should be circumscribed. Most think that it is the government's responsibility to provide social services, address social challenges, and generally provide for the welfare for Mexicans, with a limited role for private giving and social investment.

### **Scale and Scope of Philanthropy Largely Unknown**

Although Mexico has more readily available philanthropic data than other countries in this study, the data are incomplete and fail to capture the full scope of philanthropic activity, particularly that part not institutionalized through a foundation. A 2010 study estimated overall giving at MXN\$ 9.57 billion (US\$653 million). Of this, 57 percent of donations came from individual donors, 29 percent from foundations or philanthropic institutions, and 14 percent from corporations.<sup>13</sup> An earlier study, conducted by the *Centro Mexicano para la Filantropía* (*Mexican Center for Philanthropy* or *CEMEFI*) and Johns Hopkins University in 2003 found that charitable giving in Mexico was lower than the regional average. At that time, such giving amounted to only 0.04 percent of Mexico's GDP, compared with 1.09 percent in Argentina and 0.29 percent in Brazil. Although this figure was estimated to have increased to 0.18 percent in 2009, it still remains a small fraction of Mexico's thriving economy.<sup>14</sup>

In 2013, *Alternativas y Capacidades* (*Alternatives and Capacities*), a nonprofit organization working to strengthen social development and CSOs in Mexico, launched *Fondos a la Vista* (*Funds in Sight*). Created in collaboration with the *Instituto Tecnológico Autónomo de México* (*Autonomous Technological Institute of Mexico* or *ITAM*), one of Mexico's most prestigious universities, and the U.S.-based Foundation Center, *Funds in Sight* is a comprehensive database containing financial and organizational information on more than 22,000 philanthropic entities – both funders and grant seekers – in Mexico. Of these entities, 215 self-identified as “*donor institutions*,” i.e., either operating and/or grantmaking foundations.<sup>15</sup> A 2010 study published by WINGS similarly estimated that Mexico has fewer than 250 foundations, which employ a mixture of grantmaking and operating activities.<sup>16</sup>

### **Political and Policy Environment Improving**

The political and policy environment for philanthropy in Mexico has improved in recent years and, while not viewed as exceedingly favorable, it is not perceived as excessively limiting either.

Experts cited a couple of key policy challenges to the growth and practice of philanthropy in Mexico, at the same time emphasizing that these are intertwined with cultural-based obstacles. First, there is no legal distinction between philanthropic institutions (i.e., foundations) and other nonprofit implementing organizations, limiting policies that may clarify and encourage more giving.<sup>17</sup>

Second, the range of issues and number of institutions that benefit from charitable tax policy is very limited. In 2011, research conducted by Michael Layton, director of the Philanthropy and Civil Society Project at *ITAM*, estimated that there were 40,000 private nonprofit organizations in Mexico, but only approximately 15,000 were registered with the Federal Registry of Civil Society Organizations.<sup>18</sup> Furthermore, donations eligible for tax deduction may only be made to organizations with authorized status – an administratively burdensome, subjective, and time consuming process through which fewer than 7,000 organizations have successfully gained status. Donations are also capped at 7 percent of income for both individuals and corporations.<sup>19</sup>

In 2007, former President Calderón's administration proposed a flat income tax rate, which would have revoked the tax-deductibility of donations and subjected nonprofit entities' goods and services to taxation.<sup>20</sup> Several of the individuals interviewed for this study were part of a group of 25 influential business and academic leaders who met with the President to voice their opposition to this policy. Although the legislation did not pass, the proposal sparked important national-level debate regarding the role of civil society and philanthropy in affecting social change.

**“I saw that Mexico was reaching a point where people understand that supporting the nonprofit sector should be part of any citizen’s life. I knew that more needed to be done to promote a culture of participation and generosity. I created CEMEFI to help the whole sector develop and grow.”**

Manuel Arango

### **Strong Infrastructure to Support the Philanthropic Sector**

Despite challenges, Mexico has several highly respected organizations that promote the philanthropic sector, advocate on its behalf, increase the understanding of philanthropic practices in the country, and support the giving of individuals and foundations. The most well-known of these is CEMEFI, founded in 1988 by prominent businessman and philanthropist Manuel Arango to promote and improve philanthropy among individuals, social organizations, associations, and businesses. From his earlier work with environmental NGOs Arango became impressed with what organized citizens’ groups could do to create change, and he wanted to translate such energetic approaches to the realm of philanthropy. Several individuals who were interviewed emphasized the importance of CEMEFI, particularly its advocacy and work around CSR, including its widely admired corporate certification process for best practices in CSR, which has certified 970 corporations.

In addition, the project Philanthropy and Civil Society directed by Michael Layton at ITAM has undertaken extensive efforts to improve the understanding of philanthropy in Mexico through research and public policy work. A newer independent civil association, *El Centro de Investigación y Estudios sobre Sociedad Civil* (*Center for Research and Studies on Civil Society* or CIESC) is also active in researching the third sector in Mexico. Housed at *Tecnológico de Monterrey* (Monterrey Institute of Technology) within its School of Humanities and Social Sciences in Mexico City, CIESC is led by philanthropy expert Jacqueline Butcher; Layton and other leading academics in the field have contributed to its research projects.

Several individuals also noted the importance of a new office opened by Synergos, the New York-based organization founded by Peggy Dulany, daughter of David Rockefeller. Among its activities Synergos runs the *Global Philanthropists Circle*, a network of philanthropic families from across the world, five of whom are from Mexico.

### **Corporate Sector Leaders in Social Investing**

Although this study focuses on private giving, it is sometimes difficult to distinguish between personal and corporate giving in Mexico, as it is in most of Latin America. Interviewees in Mexico emphasized that the heads of family-owned companies usually lead and direct their giving programs and thus the programs likely reflect the personal values and priorities of the family. As such, this study includes discussion and examples of these corporate-related entities. On this subject, Mónica Tapia, director of *Synergos México*, noted that the blending of corporate and family philanthropy is beginning to be discussed more in Mexico, with some families and companies considering a more well-defined separation between the two.

Similar to the findings in other countries, corporations in Mexico are perceived as the leaders of social investing and strategic giving in Mexico, and those interviewed believed that they will continue to be critical for determining how philanthropy evolves in the country. In 2010, there were 58 corporate donors registered nationally in Mexico, which reportedly contributed a total of approximately MXN\$ 1.4 billion (US\$96 million), or 14 percent of the total charitable donations in the country that were registered with Mexico's tax authority. By 2012, this number had more than doubled to 131 corporate foundations, and donations were estimated at MXN\$ 2.7 billion (US\$185 million), or 35 percent of total donations.<sup>21</sup> Of the top 500 companies in Mexico, 29 percent have a corporate foundation, and of the top 50 corporations, 69 percent do.<sup>22</sup>

Corporate philanthropic leadership in Mexico likely arises from several distinct, but intertwined, factors. First, there is a strong historical involvement of corporations in community development and social welfare, which has been reinforced by government practices. As certain companies grew to become the dominant employer in their respective communities, the government would frequently rely on them to contribute infrastructure (roads, hospitals, schools) and to provide certain social services. In return, these companies would receive favorable policy treatment from the government.

## Infrastructure to Support Giving and Social Investment

**Centro de Investigación y Estudios sobre Sociedad Civil** (Center for Research and Studies on Civil Society, or CIESC).

A relatively new organization, CIESC is a research center and civic association that is housed at Monterrey Institute of Technology. It focuses on promoting dialogue among researchers and experts about civil society, philanthropy, and volunteerism.

**Centro Mexicano para la Filantropía** (Mexican Center for Philanthropy or CEMEFI). For over 25 years CEMEFI has supported the expansion and strategic alignment of philanthropy in Mexico. CEMEFI plays a key role in supporting Mexico's third sector by providing individual services and learning opportunities to foundations and philanthropists, engaging in public policy advocacy for a more enabling legal and tax environment, contributing knowledge and data on the sector, and encouraging philanthropic partnerships and cross-sector collaboration. CEMEFI has 325 members, of which 176 are foundations or associations, 30 are individuals, and 119 are companies.

**Fondos a la Vista** (Funds in Sight). Created in response to low levels of charitable giving and a general lack of confidence in the social sector, Funds in Sight is an online database used to promote transparency, accountability, best practices, and information in order to grow social investing in Mexico. A collective effort coordinated by the Mexican nonprofit Alternativas y Capacidades, ITAM, the U.S.-based Foundation Center and others, the database provides comprehensive information on more than 22,000 CSOs in an effort to provide funders with accurate information, hold organizations accountable, and promote the growth of an impactful social sector.

**Instituto Tecnológico Autónomo de México** (Autonomous Technological Institute of Mexico or ITAM). Founded in 1946, ITAM has become a premier academic institution in Mexico and leading university of the region. Professor Michael Layton, director of the Project on Philanthropy and Civil Society, has led pioneering research on the sector in Mexico, including a national survey on philanthropy and civil society, and development of Funds in Sight, described above.

Second, corporations have become increasingly aware of the competitive advantage and other benefits of strong CSR programs that include corporate social investing. Thus, Mexican corporate leaders see the value of giving programs that both create a brand and demonstrate social value. As one corporate leader explained, *"Corporations in any sector have to compete. To be successful, they have to show that they are doing things well in the social responsibility arena."*

Third, corporate leaders are in the vanguard of those who seek to professionalize giving programs, and their social investment initiatives are often exemplary. Corporate leaders operating globally are likely attuned to best practices in social investment

around the world. Several Mexican companies including Gigante, Banorte, and Bimbo were cited for their corporate giving programs. In Mexico, over the last 10 years, many corporate foundations have changed their giving patterns from an almost haphazard approach to focused, outcome-oriented programs. Several interviewees remarked on how important it was to have professionals staffing giving programs. As José Antonio Alonso Espinosa, board member of *Fundación Amparo* (*Amparo Foundation*) said, *"It is hard to run giving programs well. These enterprises are not profit-driven businesses, and they need people who are not just motivated by money."*

And lastly, considering the general acceptance of corporate philanthropy in the country, coupled with the view of a limited role for independent foundations, many individuals and families might see advantages to undertaking their giving under the umbrella of a family-owned corporate entity.

#### **Community Foundation Infrastructure in Place**

Unique among the countries included in this study, Mexico has a sizable community foundation landscape. A 2002 study by *CEMEFI* identified 21 community foundations in Mexico; of these, 15 contributed a combined total of US\$7.5 million through 1,400 grants made to local organizations.<sup>23</sup>

There are a range of views as to the influence, impact, and staying power of Mexico's community foundations – foundations that receive and manage contributions from multiple donors and focus on improving the lives of people in a particular community or region. A few individuals expressed the view that there were only four strong community foundations in the country. In addition, several individuals noted that external organizations, particularly U.S.-based foundations, have strongly supported the development of community foundations in Mexico and that their long-term sustainability is unclear. A couple of other people felt that they would become a more permanent part of the landscape, though they were uncertain about the potential scale of impact.

At the same time, several individuals cited two unique and locally-developed collective philanthropy or community philanthropy initiatives that they held up as important collaborative efforts in an otherwise highly individualized giving culture (see text box).

## Community Philanthropy

### **Fundación del Empresariado Chihuahuense, A.C.**

(Chihuahuan Entrepreneurship Foundation, A.C. or FECHAC) was established in Chihuahua in 1996 to rebuild the region after the devastating earthquakes and flooding of 1990. Corporate leaders and business owners negotiated with the government to receive special tax considerations in return for a voluntary additional corporate taxation of 10 percent that would be channeled to this unique "community" foundation. These voluntary contributions have amounted to more than US\$152 million in funding for social programs in education, preventive health, and human development. The arrangement with the government must be reconfirmed every time the administration changes, but it has lasted for 20 years.

**Comunidar.** In reaction to extreme violence and organized crime in Monterrey, many businesses, families, and universities began to engage in community work. In 2012, *Comunidar* was founded to bring collective impact to bear on the Monterrey community. Based on the U.S.-model of a community foundation, *Comunidar* pools private financial resources and redeploy them through strategic investments in social projects and organizations in the community, which are determined by a council of public representatives or with the direction of fund-holders. Social investors can create a donor-advised fund or contribute to one of *Comunidar*'s many existing funds for targeted issues.

# Philanthropic Motivations and Influences

In Latin America and throughout the world, giving and social investing are highly personal practices that reflect a number of internal motivations and external influences. In Mexico, while many believe that the Catholic Church has been the dominant influence for many generations, interviewees suggested that this is no longer the case and that a broader set of family values and interests are much more significant in shaping philanthropy today. Among those interviewed, a strong sense of social responsibility, often a family value in itself, was also a strong motivation. Survey respondents suggested similar influences. The top three reasons cited as motivations for giving were the belief in social responsibility (100%), family values (70%), and a passion for a particular issue (60%).

## **Family Role Models, Values, and Traditions**

### **Influence Giving**

Many of those interviewed emphasized the deep influence of their families on both their propensity to give and the nature of their giving. When recounting the history of their giving, several started by describing parents and grandparents who were strong role models. A philanthropist from a prominent Mexican family who wished to remain anonymous explained, "*My grandmother was known as a fairy godmother,*" who raised money for schools and hospitals, as well as giving a significant portion of her own wealth to charities; "*That was a big example for me.*"

In contrast to some interviewees in other Latin American countries (e.g., Brazil, Colombia, and Peru), Mexican interviewees did not view philanthropy as a way to directly instill family values or create family bonds. If anything, people were skeptical about this. One individual said, "*I do not want to create a reason for family discord.*" Another individual has brought non-family members onto the foundation board because he believes this is the best way to professionalize and perpetuate the foundation's activities. One interviewee explained, "*The Foundation will end with the death of the siblings. Our generation should model, not dictate.*"

While religion was not identified as a key influence, many acknowledged that faith-based values underpin their family values. For some, the effect of religious heritage was more direct, "*Our religion tells us to give to those who have less.*"

### **A Strong Sense of Social Responsibility**

Among study participants, a sense of responsibility to help those who are less well-off is a key reason for giving. Very often, this moral obligation is also embedded in family values. Dionisio Garza Medina, Chairman and CEO of Alfa, a multinational company based in Monterrey, explained that while he was part of a very privileged family, "[I was] always encouraged to think about social responsibility. It is important that we accept responsibility and do something to help improve people's lives." Some learned about giving back as children. For example, Alejandro Ramírez, CEO and General Director of Cinépolis and President of Fundación Cinépolis (Cinépolis Foundation), said that he was always very interested in social issues, learning about them from his grandfather and mother when he was young. He then earned a degree in development economics and worked for the UN before returning to the corporate sector.

### **Family Values Intertwined with CSR and Community Commitment**

Many underscored their family's commitment to a particular community in which a family business had long operated. The Servitje family, owners of Mexico's largest baking corporation, Grupo Bimbo (Bimbo Group), actively supports community-based social investments started by previous generations. In another example, Dionisio Garza Medina explained, "Our family's company became one of only a few very large corporations in the region. It has always been important that we embrace social responsibility. I was raised this way."

# Philanthropic Priorities and Purposes

Those interviewed in Mexico described a wide range of philanthropic interests and priorities, including various aspects of education, culture, the environment, housing, economic development, the rule of law, health care, and disaster preparedness. Many also expressed a tendency to avoid potentially controversial issues such as human rights, with several individuals suggesting that international donors were more appropriate funders of such publicly "sensitive" topics.

When asked about current giving priorities, survey respondents listed their top three priorities as: education (73%), community and economic development (64%), and health (45%). Interestingly, when asked what issues *should* be priorities of philanthropy in the future, the answers were quite different, focusing on health (64%), international/global affairs (45%), and social entrepreneurship and education (36% each). It is possible that the absence of community development and the decreases in education and health reflect individuals' perceptions that these should be government, not private, responsibilities. Perhaps it may also be that the increased interest in global affairs and entrepreneurship reflects an interest in seeing Mexico continue to globalize, as well as the increasing influence of business approaches on philanthropic strategies.

## **Policy Reform for Profound Change**

Many people believe that for philanthropy to truly produce positive change on large and complex issues, such as poverty reduction, education, or the environment, it must work at the policy, rather than institutional level. While recognizing that this could be difficult, some of the interviewees described their successes, in advocating for specific policy change at the national level.

Alejandro Ramírez wanted to profoundly improve education in Mexico and realized that typical philanthropic contributions to education – donating computers, adopting schools, providing scholarships – were important but insufficient. While such contributions could be helpful at the institutional or local level they "*were not going to create fundamental, long-term change.*" With six other Mexican businessmen, he founded *Mexicanos Primero* (*Mexicans First*) in order to challenge the status quo and change national education policy. The organization seeks to address the structural barriers, such as

political and economic interests, that impede quality education and also engages in applied research, mobilization of public opinion, policy analysis, and lobbying. As part of its efforts, *Mexicanos Primero* – together with the support of the Ramírez family company *Cinépolis* – produced the documentary *¡De Panzazo!* exposing the country's serious educational challenges and its barriers to progress. Ramírez noted: "[*Through the film*] we were able to have a very important impact in public debate around the urgency of reforming public education." The film sold 1.1 million tickets and it was also distributed free on TV, reaching more than nine million viewers. Such efforts have helped to prompt official government reviews and the development of educational policy reform measures.

Interviewees have also sought to change policy regarding the challenging subject of the rule of law and judicial reform. The husband of one interviewee has been promoting the rule of law and educating citizens about its importance for 15 years. In another example of film as a tool for advocacy, *Cinépolis* co-produced and distributed the documentary *Presunto Culpable* (*Presumed Guilty*), which was internationally recognized for its portrayal of some of the dysfunctional aspects of the Mexican judicial system. It became the most successful documentary in Mexican history, surpassing *Fahrenheit 9/11*, and most importantly, it helped to catalyze change in judicial policies. All box office proceeds were donated to the *Cinépolis Foundation* to support its reform efforts.

## **Improving Health Services and Equity**

Several individuals discussed their philanthropic focus on health care, particularly their efforts to improve children's health and expand health care to people who lack access to facilities and services.

Blanca del Valle Perochena described her focus on children's well-being. Del Valle, a board member of the corporate foundation *Fundación Kaluz* (*Kaluz Foundation*) and whose family is in the process of establishing its own foundation, has supported the growth of Kardias, an organization dedicated to improving care for children with pediatric heart issues. She is currently helping the group to professionalize and create a strategic plan.

# “All of our problems in Mexico – violence, social exclusion, environment, etc. – come back to lack of education.”

Alejandro Ramírez

The *Cinépolis Foundation* provides an additional example of a unique health intervention program. Visual health is the Foundation's principal social program and its core efforts focus on the financing of cataract surgeries in Mexico's rural areas. Over the past eight years, the Foundation has funded more than 24,000 eye operations that have helped people recover their sight. Alejandro Ramírez said: “*We learned that cataracts are the number one cause of blindness in Latin America. Yet this is a very cost-effective intervention. It costs us about US\$500 to give back the possibility of seeing, so the socioeconomic returns of these interventions are immense.*” What's more, he emphasized, many of these individuals are now able to work again, thereby increasing their incomes as well as their feelings of self-worth.

An anonymous interviewee expressed that although her family has long been involved in social investing, she plans to create a new independent foundation and said that Parkinson's disease will likely be the primary focus of its efforts.

## A Holistic Approach to Development

While some focus on a specific issue such as health care, other individuals and families are working across several sectors to promote holistic social development among populations that are poor, vulnerable, or at-risk. The Servitje family foundation, *Fundación Sertull* (*Sertull Foundation*), has set out to break the “*vicious circle of great social problems*,” with efforts in education, health, livelihoods, culture, human rights, the promotion of Christian humanism, and temporary assistance. The Foundation focuses particularly on children, youth, women, and rural communities, since it sees these groups as critical for promoting social development. As Marinela Servitje emphasized, “*The youth are strategic to boosting the country's development and disadvantaged women are pivotal in the fight against extreme poverty.*”

## Preserving Mexico's Rich Cultural Heritage

Mexico has a strong cultural heritage and some philanthropists are very interested in helping to preserve this legacy. *The Amparo Foundation* was established in 1979 by Manuel Espinosa Yglesias, who was then CEO of Mexico's largest bank. His grandson, José Antonio Alonso Espinosa, served as the Foundation's president for five years and is a current board member. The core mission of the *Amparo Foundation* is to promote cultural and educational initiatives for the conservation, study, and dissemination of Mexico's cultural heritage. The Foundation has supported a great deal of work in the Historic Center of Puebla, including: the restoration, operation, and management of the *Mercado La Victoria* and the *Paseo Bravo* in 1994; restoration of pre-Hispanic monuments, including 840 temples in Puebla that were damaged by the earthquake of 1999; and restoration of the chapter house of the former convent of *Santo Domingo de Guzmán* in Izúcar de Matamoros. They also initiated and led the creation of the Amparo Museum, one of the most important historical museums in Mexico. At the same time, recognizing that few museums in Mexico possessed the management skills needed to operate effectively, the Foundation started a program to train museum professionals, in partnership with other Mexican philanthropists and modeled after a Getty Museum certification program.

Independent of her family's foundation, Marinela Servitje also individually supports cultural programs. She provides leadership support to *Papalote Museo del Niño* (Papalote Children's Museum) and has also helped to raise US\$14 million for its support. As a result, the museum recently completed a four-year MXN\$ 15 million (US\$1 million) renovation. In an additional example, Manuel Arango's wife, Marie Thérèse, along with a small group of interested individuals, promoted and founded the Popular Art Museum in Mexico City, which is housed in an Art Deco building provided by the Mexico City government.

Several individuals interviewed are involved in the governance, preservation, and restoration of *Bosque de Chapultepec* (Chapultepec Park), Mexico City's largest oasis, which covers more than 1,600 acres. Chapultepec Park includes extensive forests, lakes, and several sights and attractions including the *Monumento a los Niños Heroes* (Monument of Young Heroes), one of Mexico City's most important monuments.

# Philanthropic Platforms and Strategies

Throughout Latin America, individuals and families are employing a variety of platforms and strategies to conduct their giving and increase its impact. In Mexico, there is broad consensus that much giving is undertaken directly, rather than through an institution. At the same time, many individuals highlighted their use of a variety of philanthropic platforms and multiple strategies to address a wide variety of issues.

## A Variety of Philanthropic Platforms

As discussed earlier in this chapter, many individuals and families in Mexico are engaged in philanthropic giving through corporate foundations and giving programs. Yet several interviewees talked about their family foundations and an increasing move towards focus, strategy, and professional operations. Two years ago, Dionisio Garza Medina set up a family foundation in which his three sons are now quite active. Marinela Servitje reported that giving through their family foundation was informal until seven years ago, when they decided to become more professional and focused. In developing her new foundation, one anonymous interviewee shared her determination to install a professional staff with financial and other systems management expertise, as well as to create transparency in all the activities in which the foundation engaged. And asked by her brothers to lead a new foundation set up among the siblings, Blanca del Valle Perochena has begun a comprehensive strategic planning process, “*We want to do something transformative, to work in places others do not.*”

There are also examples of new and creative organized platforms for giving and social investing in Mexico. As noted earlier Mexico is the only country in the region to have a broad community foundation sector as well as other collective giving models, such as *FECHAC* and *Comunidár*. Manuel Arango described another interesting example of a philanthropic platform when he talked about his niece, who has set up a family-giving network in which anyone in the family over 16 years old can participate. Family members research and identify prospective organizations for grants and describe them on a private website. Everyone in the family network can vote on which organizations the family will fund.

## Preference for Operating over Grantmaking Model

There is a mix of operating and grantmaking strategies across foundations, and while there are some foundations that exclusively employ one strategy or the other, a majority of foundations do both. In research conducted by Rodrigo Villar, a research affiliate of *CIESC*, findings indicated that in Mexico 11 percent of corporate foundations only operate their own programs, 28 percent are exclusively grantmaking and 61 percent do both.<sup>24</sup> However, there is consensus that in terms of monetary investments, operating programs predominate. Considering overall (individual and foundation) giving, experts interviewed estimated that about 20 percent of total giving goes to third-party organizations, entities or programs.

There appear to be several key reasons why operating programs dominate in the foundation sector and overall NGO support is limited. First, interviewees suggested that there is a lack of confidence and trust in the nonprofit sector; many view nonprofit organizations, with some important exceptions, as lacking professionalism, expertise, and transparency. Second, many individuals, working on a variety of different issues, emphasized that they can have greater impact operating their own programs or providing direct support to individuals. A third reason was an important sense of personal fulfillment, with several people explaining that they wanted to be directly engaged with the communities and individuals they hoped to assist.

**“In general, there are not enough resources engaged in supporting and strengthening civil society. Good nonprofits are growing faster than the grantmaking.”**

Jorge Villalobos

**“There are lots of NGOs and social entrepreneurs who know their fields, and we need to help them create positive change.”**

Blanca del Valle Perochena

At the same time, there are a few foundations that have chosen to dedicate most of their giving to grantmaking, and several individuals emphasized the importance of supporting and strengthening civil society organizations. For example, the *Sertull Foundation* supports over 130 projects across Mexico and 95 percent of their budget is dedicated to grantmaking. The Foundation sponsors training courses focused on capacity building for nonprofits, including issues of governance, fundraising, management, and impact measurement. The Foundation believes that part of its core mission is to “contribute to [Mexico’s] social development by supporting organizations working for people in poverty.” And as one of their key strategic objectives states, “We support civil society organizations that promote social development to professionalize and strengthen their actions.” The foundation now being created by the del Valle family will likely engage in significant grantmaking as well, according to Blanca del Valle Perochena: “I would like to remain engaged with organizations we fund, but we don’t need to run the programs, especially since we invest in organizations who know their fields well.” She continued, “There are lots of NGOs and social entrepreneurs who know their fields, and we need to help them create positive change.”

Several experts echoed these sentiments. Jorge Villalobos, executive president of *CEMEFI*, emphasized, “The few foundations we have in Mexico operate their own projects... In general, there are not enough resources engaged in supporting and strengthening civil society. Good nonprofits are growing faster than the grantmaking,” Mónica Tapia of *Synergos México* expressed similar thoughts; “There is a deficit of grantmaking in Mexico. There are many very good civil society organizations, many developed with the help of international funders, addressing important issues around human rights, democracy, and the role of media. But there is little Mexican support for these groups. The limited national grantmaking tends to support human services and traditional charity.”

In addition, many operating foundations also seek additional funding from other individuals, foundations, aid organizations, government, or other sources. This, in turn, may limit the financial support available for other CSOs, which are put in the position of competing with foundations for limited resources.

#### **Growing Interest in Social Entrepreneurship**

As in many countries, people in Mexico expressed interest in social entrepreneurship, but it is unclear how much actual investment there is in the sector. As part of the *Cinépolis Foundation*’s core efforts around visual health, the Foundation supports a social enterprise, *Sala Uno* (Room One), which delivers cataract surgery at far less cost than most hospitals and is known internationally for its business model.

There are several initiatives in Mexico that may increase the visibility and interest in social entrepreneurship in the years ahead. A new government office, the *Instituto Nacional del Emprendedor* (National Institute of Entrepreneurs), has been established to foster and support a culture of social entrepreneurship in the country. Since 2004, the *UBS Visionaris Social Entrepreneurship Award* has helped to recognize and empower innovative, impactful entrepreneurs who are working to solve immense social problems in Mexico. Conducted in partnership with *Ashoka* and a selection panel of local philanthropists, UBS has hosted 11 events in Mexico, awarded more than US\$740,000 in Mexico, Brazil, and Argentina, and provided technical assistance support to these social businesses and organizations. In addition, the *Schwab Foundation Latin America* presented its *Social Entrepreneur of the Year Award* to a Mexican social entrepreneur for his health care efforts; this was one of only seven winners across the region in 2014.

### **Impact Investing on the Rise**

Interviewees did not express significant interest in impact investing, though there is a strong suggestion that there is notable activity and interest in the strategy among a broader cohort of Mexicans. According to a Bain and Company report on impact investing in Latin America, Mexico, along with Brazil and Colombia is a hub of impact investing in the region, with approximately US\$100 million invested in the country.<sup>25</sup> In 2011, IGNIA was the largest venture/impact investing fund in Mexico and announced a commitment of US\$200M over the next 12 years for impact investments in small and medium enterprises.<sup>26</sup> Additionally, a collaborative effort led by *Promotora Social México* (Social Promoter Mexico), an active venture philanthropy foundation, resulted in the creation of Mexico's Global Impact Investing Map in 2013. The project team reports that they have identified 514 organizations involved in impact investing in Mexico and have obtained detailed information about 85 of the most active organizations.<sup>27</sup>

*Nacional Monte de Piedad* (*National Pawnshop*) is one of the country's oldest and most prominent nonprofits/foundations/social enterprises, that has provided financial access and services to the country's poor since 1775. Recognized as a "public benefit institution" by Mexico's government in 1836, *Nacional Monte de Piedad* now operates more than 300 branches throughout the country, offering low-interest and interest-free loans and credit services.<sup>28</sup> Profits are then distributed to private charity and nonprofit organizations that serve poor and vulnerable populations. Its president at the time this study was being conducted, Maximiliano Echeverría Aguilar, said that the Foundation has recently undertaken efforts to expand into impact investing and has established a committee to oversee the creation and development of a new impact investing fund. He explained, "*Impact investing is a natural extension of what Nacional Monte de Piedad has done for more than 250 years. We were built on social principles and are interested in exploring new models of social investment.*"

# Looking Ahead: Challenges and Opportunities

The individuals who were interviewed and surveyed for this report were realistic about the challenges to philanthropic growth and impact in Mexico, but simultaneously optimistic about the future of giving and social investing in the country. Many believed that giving is growing and becoming more strategic, albeit slowly and largely among corporations. And the conversations elicited many suggestions for how to confront the challenges and take advantage of the opportunities, many of which are closely intertwined.

## **Importance of Demonstrating Impact**

Individuals repeatedly emphasized the importance of demonstrating philanthropic impact, emphasizing their belief that the lack of information about how previous and ongoing philanthropic endeavors have made a true difference is a major impediment to increased giving. Survey respondents said that the absence of demonstrable impact is the greatest obstacle to increasing their own philanthropy and saw it as the most important challenge to increased giving among other wealthy individuals and families. One philanthropic expert commented, *"There are good examples of social investment in Mexico, but information is not easily shared. Seeing impact could inspire others."*

To address the issue of impact, people recommended more impact studies, greater coverage of philanthropic accomplishments in the media, and more opportunities for peer engagement in order to understand what impact others are having. Manuel Arango's view confirmed that "*seeing is believing*" in terms of motivating newcomers to participate in grantmaking and related activities: *"What really gets people motivated is not, for example, reading books, but seeing things happen, projects that have been created by individuals. That has an impact such that people say to themselves, 'Yes, I would like to do something like that.'*"<sup>29</sup>

In addition to demonstrating success stories in Mexico, individuals and experts suggested that showing how philanthropy has had strong impacts outside of the country would be useful. When asked if he could introduce one change to the status quo that would make the biggest difference, Manuel Arango said: *"Probably the ability to present, either electronically through the internet or through publishing, projects from different parts of the world that could make a difference. ... [To] say, here we have 50 or 60 or 100 projects that can really make a difference. Read about them."*<sup>30</sup>

## **Need for More Role Models and Peer Engagement**

Closely related to the need to demonstrate impact, study participants acknowledged that there were few role models for private, as opposed to corporate, philanthropy in Mexico. They viewed this to be particularly lacking with respect to grantmaking. They also emphasized that there were too few opportunities for peer engagement.

Of course, Carlos Slim has become one of the country's most visible social investors and recently combined several independent foundations into *Fundación Carlos Slim (Carlos Slim Foundation)*. With an endowment of US\$ 3.5 billion, its mission is *"to establish a range of non-lucrative projects in education, health, justice and personal and community development by contributing human and financial resources to equip Mexican society with the necessary tools to succeed professionally and socially."*<sup>31</sup> Many of the individuals in this study could also be role models, although currently many of their efforts seem to be invisible within the country.

While Mexico has more philanthropic support organizations than many countries, some individuals believed that there are still limited opportunities for non-corporate peer engagement in settings that are neutral and respected. Determining ways to bring wealthy families and individuals together is an important tactical step. *Synergos'* model of peer engagement was mentioned as one worthy of more exploration. Models such as the *Transforming Philanthropy Initiative* in Colombia are also promising. Persuading current philanthropists to talk with others about what they have explored and accomplished is an important means of potentially increasing philanthropy.

### **Encouraging the Younger Generation**

Some of the interviewees felt that their children and grandchildren were more independent than previous generations: moving away from family businesses and the related foundations, and as such more likely to disengage from family traditions of giving. Others were concerned that this generation is so caught up in their careers and immediate families that giving back seems like a very distant goal.

While several people felt discouraged about the next generation accepting social responsibility, there were also reasons for optimism. Many of the people who agreed to be part of this study and are active social investors are already considered the “next generation” – those between 40 and 60 years of age who have taken over leadership of their family giving efforts. Younger family members are also taking initiative, for example as members of *Nexus*, the global organization of more than 2,000 young social investors, entrepreneurs, and professionals working to increase and improve philanthropy and social investment. Likewise, Manuel Arango’s niece has created an internet-based platform to encourage multi-generational family giving, as previously mentioned. Looking to other countries, both the *Transforming Philanthropy Initiative* in Colombia and *GIFE* in Brazil have developed programs specifically tailored to younger people and next generation philanthropists that could be models for Mexico.

### **Building Capacity and Confidence in Nonprofit Organizations**

Interviewees spoke of a general lack of trust in all sectors in Mexico these days – whether it be government, nonprofits, or even the Church. This general lack of trust, and most specifically the lack of confidence in nonprofit organizations, is considered a significant obstacle to philanthropy, particularly to the growth of grantmaking. Nonprofits have earned a reputation – fairly or not – for being unprofessional, inefficient, wasteful, and even corrupt. Michael Layton of *ITAM* said, “*The staircase to get from idea to implementation is underdeveloped in Mexico’s social sector.*”

Encouragingly, there are a number of initiatives that could bring new levels of transparency and professionalism to the field, e.g., the recent creation of organizational databases in the sector is a major advancement. In addition, as described above, a few foundations are trying to develop greater professionalism and capacity among NGOs. Moreover, several individuals expressed the belief that others would likely become involved in giving if they felt they could provide funds to a trustworthy nonprofit. Participants believed that, if the nonprofit sector could become more professional, show transparency, and provide evidence of successful endeavors, then giving levels and patterns might change. Some recommended that more academic courses in nonprofit leadership and/or professional development could create stronger social sector leaders as well.

## **Policy Environment and Relations with Government May be Improving**

Many have spoken of unfavorable government policies – especially a lack of tax incentives – as one reason some people decline to give more. Others suggest that this is not the chief impediment to giving, but may have some influence. One interviewee emphasized, *"Tax incentives would certainly help. They might not be the main driver but they would encourage many to give more."*

However, in recent years the government has shown some interest in working with private foundations and wealthy individuals. For example and as noted earlier, the government of Mexico City donated a building for the Popular Art Museum in Mexico City. Although such examples may seem minor and infrequent, they may demonstrate a potential opening in the high wall between the government and philanthropists.

## **Attitudes toward Philanthropy Evolving**

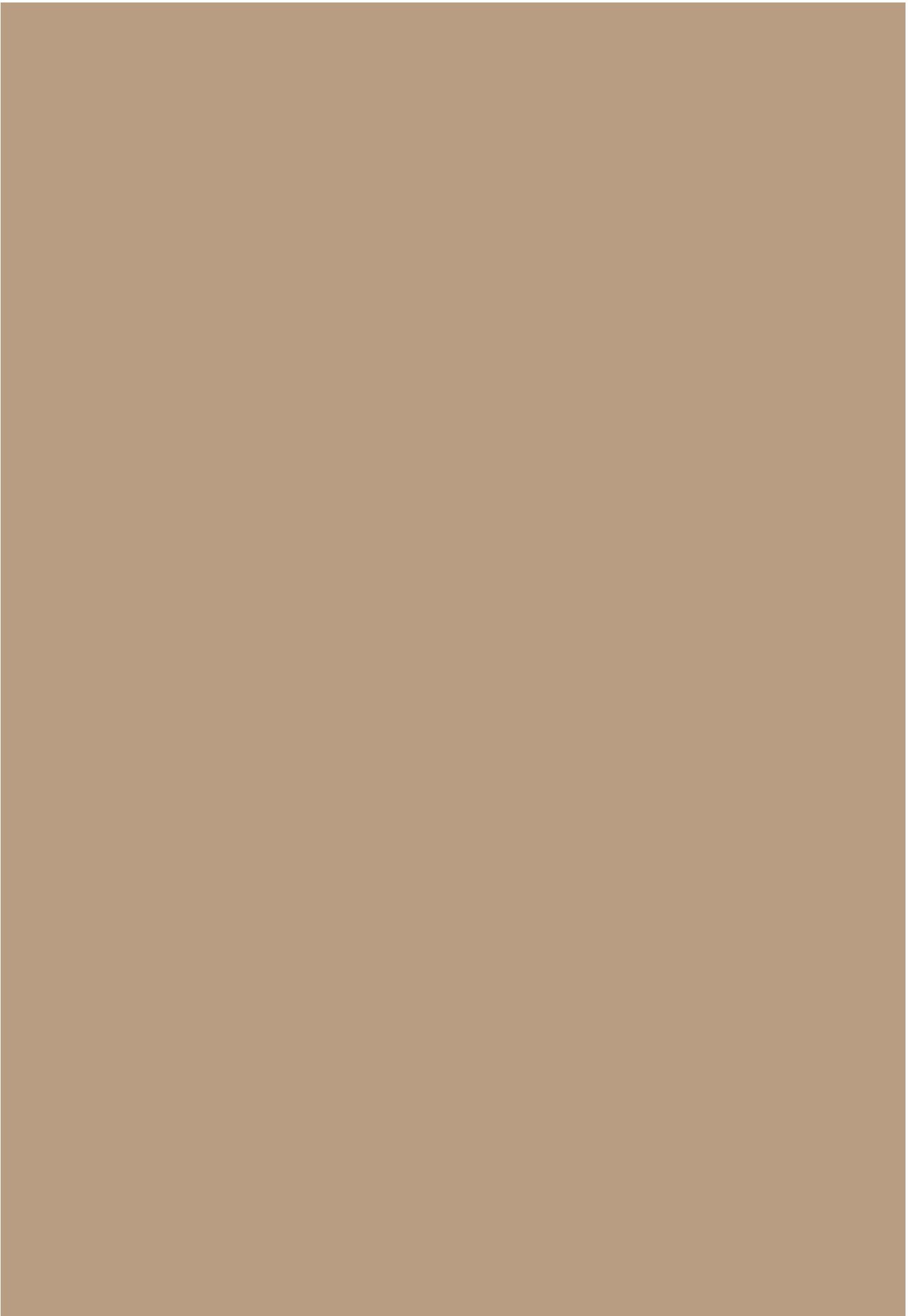
Although there has been progress in terms of how philanthropy is perceived, much still needs to be done to change hearts and minds. Indeed, this may be the most critical element for developing philanthropy in Mexico. Even today, private giving is largely seen as a way to alleviate immediate suffering and not as a means to create lasting social change. Poverty reduction and the provision of quality education, health, and other basic services are largely seen as the responsibility of the state.

Several individuals acknowledged that they continue to direct their giving to the Church and toward establishing a legacy, e.g., providing scholarships for priests and schools. Others emphasized the lack of a social change philosophy. Jorge Villalobos of CEMEFI explained, *"There was a study done by the Ford Foundation on why the culture of giving is different in Mexico. They found that throughout history someone was always telling us what to do. We don't have a word for empowerment."*

At the same time and as already discussed in detail, consensus was strong among study participants that attitudes toward philanthropy are changing for the better. This report has highlighted many examples of individuals and families engaging in or supporting efforts designed to change the status quo. More generally, interviews suggested that an increasing number of wealthy individuals and families believe that giving back to society and helping Mexico's neediest citizens is an important stabilizer for the nation.

Together, a better understanding of tangible results, more opportunities for peer engagement, active engagement of younger generations, and a more favorable policy environment could tip the scale and lead to a new culture of giving and social investment. *"We need to create a culture of giving where people will begin to feel something is missing in their life if they're not part of it,"* said Manuel Arango, *"I believe we can do this."*

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# Peru

From Prosperity to Purpose

Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Peru at a Glance

**Population**

30.38 million

**GDP**

US\$202.3 billion

**GDP growth rate**

5.8%

**GDP per capita**

US\$6,662

**Gini index**

45.3 (2012)

**UNDP Human Development Index**

0.737 (82<sup>nd</sup> of 187 countries)

**Social Progress Index**

66.29 (55<sup>th</sup> of 132 countries)

**Poverty headcount ratio at US\$4/day**

25.8% (2011)

**Poverty headcount ratio at US\$2/day**

8.7% (2011)

**Poverty headcount ratio at national poverty line**

23.9%

**Unemployment total (of total labor force, national estimate)**

3.6% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Peru: Country Context

Peru is a multiethnic country with a population of more than 30 million people. It is rich in biodiversity and cultural heritage, and has a strong sense of national identity. Having survived an extremely violent conflict perpetrated by both the government and the Maoist group Shining Path during the 1980s and 1990s – in which roughly 70,000 civilians were killed – Peru has emerged as a relatively stable and thriving nation in the early 21<sup>st</sup> century. With growth, Peru has benefited from greater equity, poverty reduction, decreased unemployment, and a growing middle class. In 2013, its GDP stood at US\$202 billion.<sup>1</sup>

Peru's situation has changed dramatically over the last generation. Faced with rampant inflation, which soared to greater than 12,000 percent in 1990, Peru implemented extreme economic reforms under controversial President Alberto Fujimori throughout the decade.<sup>2</sup> Fujimori's neoliberal reforms, which promoted international investment, reduced government spending, and increased trade, proved successful in halting hyperinflation and won him some public favor despite his authoritarian style.<sup>3</sup>

Since 2000, Peru has experienced significant levels of economic growth. The country's GDP grew at an average rate of nearly 7 percent annually from 2005 to 2013.<sup>4</sup> This economic growth has translated into great wealth for a small minority of Peru's population. At the end of 2013, one study estimated that there were 23,009 HNWIs in Peru, with a combined wealth of more than US\$127 billion.<sup>5</sup> Moreover, ten Peruvians were included on the 2013 *Forbes* billionaires list compared with only two the prior year. Their accumulated wealth totaled US\$23.3 billion, or more than 10 percent of the country's GDP.<sup>6</sup> Despite such concentrated wealth, Peru's inequality is relatively low for the region. In 2012, the Gini index of Peru was 45.3; the second lowest ranking of all countries in this study.<sup>7</sup>

Social welfare has improved and poverty has fallen considerably in the last decade, uplifting a broad base of the country's population. The number of Peruvians living in poverty (on less than US\$4/day) declined by nearly one-half, from 46.5 percent of the population in 2005 to 25.8 percent in 2011, and the number in extreme poverty (on less than US\$2/day) fell from approximately 19 percent to 8.7 percent.<sup>8</sup> According to a UNDP report, between 2000 and 2012, Peru's middle class (the population living on US\$10–50/day) grew by 19 percent, more than doubling its size to 34.3 percent of the overall population.<sup>9</sup>

However, inequalities and poverty persist for many Peruvians. A 2010 study by UNICEF found that 78 percent of Peru's indigenous children, a population of more than one million, live in poverty, nearly double that of other children.<sup>10</sup> Poverty is also highly concentrated in the country's rural regions. In 2013, 48 percent of Peru's rural inhabitants still lived in poverty, as measured at the national poverty line – double the country-wide average – compared to only 16 percent of urban dwellers.<sup>11</sup> Even those who have moved out of poverty are still susceptible to falling back into the cycle; in 2012, as much as 40 percent of the country's population was considered vulnerable, living on US\$4–10 a day.<sup>12</sup>

As the country pursues continued improvements in social and economic welfare for all classes, government programs are seeking to further reduce these gaps through expanded and higher-quality education, health, and social services programs.

# Philanthropy and Social Investment in Peru: Key Features and Trends

There is very little research that has analyzed Peru's philanthropic sector. Few organizations are engaged in studying or promoting the sector and there are limited studies that have explored or analyzed the environment for philanthropic giving and social investment. Thus the following observations should be considered preliminary and in need of further scholarship.

## **Long-standing Traditions of Charitable Giving**

The act of giving is deeply rooted in traditions and practices dating back to pre-Hispanic societies that were designed to ensure collective well-being. Known as "*Andean reciprocity*," these cultures practiced a system of mutual aid, one of production and distribution through social ties that was highly inclusive, providing for under-resourced populations in particular.<sup>13</sup> More contemporary philanthropy emerged in the 19<sup>th</sup> and 20<sup>th</sup> centuries, when elite members of Peruvian society, inspired by the Christian doctrines of charity and morality developed under Spanish colonization, began establishing welfare organizations to carry out charitable activity. These philanthropically-funded institutions, coupled with the work of the Catholic Church, provided extensive services to the poor in the form of enhanced education, health, and welfare.<sup>14</sup>

The 1900s saw change and growth in the sector as society became more politicized, urban migration boomed, family businesses expanded, and social stability blossomed. At the same time, this period seems to have been characterized by some shift away from paternalistic charity, with an increase in philanthropy directed towards social change. However, the violence and terrorism of the 1980s and 1990s critically constricted civil society and philanthropy's attendant support. NGOs were largely viewed as instruments of the leftist terrorists and any involvement with NGOs could bring dangerous accusations of supporting these terrorists. This distrust of civil society has continued to this day and probably still inhibits the support of NGOs and the reluctance of many to talk about the specifics of their giving.

While there is no public data available, and individuals are reluctant to talk about their personal charitable giving, it is likely that a significant proportion of individual philanthropy continues to support direct services for the poor, either directly or indirectly related to the Catholic Church. An unknown, if limited, but crucially important, share of giving and social investment increasingly focuses on longer term poverty reduction, economic development, and equity.

## **Limited Philanthropic Research and Infrastructure**

Because of the lack of data, the scale, scope, and characteristics of current Peruvian philanthropy are unclear. While there is a dearth of data on philanthropic giving in most Latin American countries, this problem is particularly acute in Peru. There is virtually no current information on either individual or institutional giving. In addition, and in contrast to some other countries – such as Colombia, Mexico, and Brazil – there are no Peruvian organizations or initiatives that regularly collect and disseminate knowledge about the sector or promote and support philanthropists.

The *Universidad del Pacífico* (*University of the Pacific*) has done excellent research on philanthropy in Peru and in the region, but does not have an ongoing and sustainable program (or resources) to continue to build the knowledge base. Additionally, one highly regarded organization, *Peru 2021*, champions and supports CSR, but this is limited to corporate, not private, philanthropies.

Because of the lack of knowledge and infrastructure, coupled with the desire of many to give anonymously, most of the individuals in this study were often unaware of the substantial and inspiring efforts of their peers. It seems that there have been few opportunities for interactions among philanthropic individuals or organizations.

**“Businessmen have understandably focused on building their own businesses, but they are aware they need to think larger about what’s good for the country, and become more involved.”**

Anonymous

#### **Corporations Perceived as Leaders in Organized Giving**

Despite the lack of data, there is a general consensus that philanthropy in the country is gradually increasing, and that most of the growth is occurring in the corporate sector. As in other countries in the region with many family-owned businesses, it is not always easy to make a clear distinction between corporate giving and family giving in firms where family members lead both corporate and philanthropic activities. However, it appears that in Peru, most foundations associated with a particular corporation self-identify as corporate foundations. Cynthia Sanborn, director of the Research Center and Professor of Political Science at *University of the Pacific* and co-editor of *Philanthropy and Social Change in Latin America*, reports that in 1998 Peru had 127 identifiable foundations and that by 2010 this number had increased to 312.<sup>15</sup> However, there were still few that were truly family- and not corporate-based.

In the aftermath of the market liberalization of the 1990s, Peru's private sector began to grow substantially. This economic growth engendered both higher employment rates and higher incomes, as well as the increased importance of the role of business in society. In part due to this expansion, CSR – including the expectation that businesses should engage in philanthropy – has also grown. Research by Sanborn found that 14 of the top 31 firms had their own foundations or associations for charitable activity, and 12 had corporate volunteer programs.<sup>16</sup> However, specific data on the amount or impact of giving in Peru is still not publicly available.

To date, extraction companies, one of the richest industries in the country, seem to have been responsible for the majority of corporate giving. Because of its intrinsic nature, i.e., removing nonrenewable resources from a community, many believe that these companies have a unique responsibility to make social investments in the communities in which they work. Current data on investments is not available. The most recent data, published almost 20 years ago in 1997, indicated that the top 30 mining and oil companies made philanthropic contributions of US\$21 million, constituting nearly 60 percent of total annual corporate donations.<sup>17</sup> New studies with updated data are critically needed to better understand giving in Peru.

Interviews and survey respondents suggest that the policy and tax environment is more favorable for corporations than for either individuals or independent foundations. For example, the unique *Ley de Obras por Impuestos* (Work for Taxes Law) allows corporations to invest in public works and recover the total amount of investment from its income tax. This includes the construction or improvement of hospitals and other health facilities, educational institutions, recreational and sporting infrastructure, and cultural establishments.

One philanthropist interviewed for this study speculated as to why wealthy business owners might choose to undertake their philanthropy through corporate rather than independent structures. *“There is limited inherited wealth in Peru. Most of the wealthy people here have developed their own businesses, so the ability to give is closely tied to corporate profits. Philanthropy is seen as closely related to business success.”* He continued, *“There is also a strong business case for this. Businesses need to demonstrate their social conscience. The younger generation in particular wants to buy products from good corporate citizens. They also want to work for companies that have a strong social ethic.”*

In addition, Felipe Ortiz de Zevallos – an engineer, entrepreneur, founder of *Grupo APOYO* (*APOYO Group*), and Peru's former ambassador to the United States – suggested several important and broader reasons for relatively low levels of visible or organized private philanthropy. *“There has always been traditional charity through the church for direct services, but no strong history of citizenship. In addition, since the 1980s the country has been in turmoil. We've had terrorism, economic bankruptcy, and political failure. Peruvians have necessarily lived with a survival mentality. This was not a climate in which to think about social investment.”*

**“Over the last decade corporate giving and social investment have increased significantly but there is still little visible giving by wealthy individuals and families.”**

Cynthia Sanborn

### **Political and Policy Environment Needs Improvement**

In general, the policy environment in Peru does not promote philanthropic giving and, as such, many consider it to be a serious obstacle to its growth. There are limited tax incentives for individual giving, disincentives to establishing philanthropic foundations, and some distrust of philanthropic institutions themselves.

Recent legislation has intentionally limited tax benefits of charitable giving. Donations entitled to tax deductions are restricted to nonprofits registered with Peru’s tax administration, SUNAT, and limited to those operating in narrowly defined areas of social purpose, as defined by the legal code.<sup>18</sup> It is also burdensome and bureaucratic to request deductions, requiring both nonprofit organizations and donors to provide proof and submit forms for reimbursements through SUNAT. Additionally, there is no inheritance tax that provides an incentive to make charitable bequests. Moreover, given that roughly 50 percent of Peru’s economy may be in the informal sector,<sup>19</sup> there is pressure on a small part of the economy to provide tax revenues; thus, there is also little optimism that this will change soon. There is disagreement on the actual effect of these policies on giving. Several individuals emphasized that the policy environment was a barrier to giving in Peru. Tony Custer noted, “*People who might give are put off by the lack of tax incentives and deep-rooted social pressures. The first step must be to develop better incentives; that would set the ball rolling.*” At least one expert strongly disagreed, arguing that the decision to give is not driven by tax incentives, although limited incentives may influence the amount one gives.

In addition to the tax issues, it is administratively burdensome for Peruvians to create and operate a foundation, and there are few monetary or other advantages to doing so. Foundations require endowed funds, and the activities in which they can engage are limited to religious, cultural, or idiosyncratically defined “social interest” purposes. Furthermore, founders do not have full control over the distribution of funds and remain under the close supervision from the *Consejo de Supervigilancia de Fundaciones* (Foundation Oversight Council), a government agency charged with monitoring the purpose, activities, and assets of foundations.<sup>20</sup>

Several individuals acknowledged that past corruption related to philanthropic giving has brought about a reduction in incentives, an increase in scrutiny, and a challenge to creating a more favorable policy environment. Philanthropic giving is also widely viewed as an opportunity for personal gain or as a mechanism for moving wealth outside the country. Whether or not a small minority has undertaken such activities, this perception has indeed tainted philanthropy’s reputation, and there is still work to be done to change attitudes for the better.

### **Cautious Optimism Regarding Sector Growth**

Notwithstanding the low levels of visible social investment in Peru, there is a sense of cautious optimism regarding its growth. With stable political leadership, economic growth, and the concomitant growth of individual wealth, many people believe that there is an escalating sense of confidence in Peru, and that wealthy individuals will increasingly want to contribute to the country’s future through philanthropic engagement. Cynthia Sanborn pointed out, “*Most private wealth in Peru is new, accumulated in the last 25 years. We need to give philanthropy and social investment time to develop.*”

Tony Custer, a leading businessman, philanthropist, chef, and author, who established the *Fundación Custer (Custer Foundation)* in 1996, said his sense is that philanthropy has been growing since the 1980s and is likely to continue to do so. Bernardo Roca-Rey Miro-Quesada, whose family owns the country’s oldest and most circulated newspaper, *El Comercio*, said, “*I think, I hope, that there will be positive change in the next two to three years.*” Among survey respondents, all said that the need for philanthropy in Peru was either very urgent or urgent, and the majority was optimistic about its growth over the next five years.

# Philanthropic Motivations and Influences

Like their peers in other Latin American countries, individuals in Peru have a range of reasons for giving, but the principal influences seem to hold fast across most countries: family values and role modeling; a closely related sense of moral obligation; a personal passion for an issue; and a desire to create social good that will help both the country and its most vulnerable citizens.

## Family Values Underpin Giving

Many of the participants viewed philanthropy as a means to reflect and instill family values. Almost without exception individuals emphasized their family's strong belief in helping those in need and the fact that this value was both taught and demonstrated to them from an early age. Many also talked about philanthropy as an important way to reinforce family bonds and values, and their intentional efforts to pass on the same values to their children.

Tony Custer talked about the strong influence of both his parents. His mother was deeply involved in helping girls and young women and his father was involved in the YMCA. "They were always doing something to help individuals or groups of people." Felipe Custer, Tony Custer's son and a member of the board of the *Custer Foundation*, shared this view of family influence: "I was raised this way. When I was young, I watched my father, and now we work together as a family to benefit others."

Marco Aveggio, director of *Fundación Wiese (Wiese Foundation)*, emphasized that the Foundation played an important role in building and renewing family cohesion. Virtually 100 percent of the extended family, spanning five individual families, is involved in the Foundation, and they make a point of meeting once a month. Aveggio had recently been asked to give a presentation in Chile on families and foundations, and emphasized, "The Foundation is a keystone of our extended family. It brings together different families and different generations to work together around a common goal and vision. It creates bonds and builds relationships."

## A Sense of Responsibility and Moral Obligation

Many of those interviewed believe that they have a moral obligation to help those in need. "Those that have more must help those who have less," emphasized one interviewee. Joaquín de la Piedra, co-founder of the nonprofit *Kusimayo* (a Quechua phrase meaning *Happy River*), discussed the eye-opening extended periods that he spent at a trout farm in the Andes as a child. "*In the city, maybe it is easier for us to isolate ourselves from the poor. But in the country you can't ignore the poverty; it's all around you. Witnessing opportunities to help in rural Puno I knew I had an obligation to do something.*" Another individual emphasized, "*If you do not help the needy, I say shame on you.*"

Tony Custer also noted that he was influenced by time lived in the United States where, "*even in high school, students were involved in all sorts of efforts to help others; it was just part of the culture. When I later attended Harvard, this concept of citizenship and responsibility was further ingrained in me.*"

## Contributing to "21<sup>st</sup> Century Peru"

Many expressed a strong desire to personally contribute to the development of the country and the creation of a new, 21<sup>st</sup> century Peru. As the country has emerged from political instability, economic upheaval, and violent crime, many emphasized their commitment to help create, through their philanthropic efforts, a "first world," "stable," "peaceful," and "just" country. In contrast to other countries where there seemed to be a very strong community or regional focus, many individuals in Peru emphasized their overarching national goals even if their actual giving was more local. Frida Delgado Nachtigall, board director of the family-owned multimedia company *Grupo RPP (RPP Group)* and president of *Integración (Integration)*, the family-founded NGO, hoped that her family's giving, currently conducted in large part through the company, could be a "*lever for the comprehensive development of Peru and Peruvians. We can help the country and its people toward a brighter future.*"

**“Many in Peru have now achieved economic success, now they seek social significance.”**

Diego de la Torre

**“The Foundation is a keystone of our extended family. It brings together different families and different generations to work together around a common goal and vision. It creates bonds and builds relationships.”**

Marco Aveggio

The sense of wanting to make an individual and tangible contribution to the country was striking. As an example, Diego de la Torre, co-founder of *La Viga*, the largest cement and steel distribution company in Peru, observed that at the heart of much of Peruvian philanthropy may be an individual's personal desire to make a difference, to contribute to the common good, and to leave a legacy not of individual wealth but of human and social well-being. “*Many in Peru have now achieved economic success*,” de la Torre emphasized, “*now they seek social significance.*”

#### **Corporate Competitiveness a Goal of Some Philanthropic Efforts**

As described earlier, many families engage in philanthropy through privately-held corporations and giving priorities and activities can be directly linked to business concerns, goals, and responsibilities. As one individual explained, “*There is intense competitive pressure, since globalization is knocking at our door. There are internal and external demands for better corporate responsibility. Customers care about a company's social fiber and companies are aware they need to do more.*”

Felipe Custer, who spearheads corporate sustainability at *Corporación Custer (Custer Corporation)* emphasized that sustainability is increasingly important in Peru, not only for developing a competitive advantage, but as part of a greater commitment to ethical business practices. There remain notable opportunities for improvement in this regard, with clear signs that the private sector is keen to continue innovating in the direction of sustainability. As noted above, *Peru 2021* is instrumental in promoting CSR nationally.

# Philanthropic Priorities and Purposes

Individuals in Peru identified a wide variety of philanthropic priorities. Among the key issues were education, the preservation and advancement of Peru's cultural heritage, and the creation of better opportunities for disadvantaged and marginalized Peruvians who have not benefited from Peru's economic growth.

## **Education Key to Individual and National Success**

Similar to the views expressed in other Latin American countries, education is a top priority for philanthropists and social investors in Peru. Some individuals have focused directly and exclusively on education, while others have included education as part of a broader approach to community or national development. It is noteworthy that nearly all survey respondents pointed to education as a top priority; it was the sector to which they had given their largest gift in 2013 and stood as their top priority for philanthropy and social investment in the future.

There are a number of reasons why education is such a high priority both for philanthropists and the nation itself. First, Peru has one of the lowest indices in the region for educational efficiency. According to studies carried out by the Ministry of Education, when schoolchildren reach sixth grade in primary school, only 12.1 percent have age- or grade-appropriate reading and writing skills, and only 7.9 percent perform adequately in mathematics. Moreover, approximately 30 percent of children entering school in first grade are unprepared for formal learning.<sup>21</sup>

Because education provides individuals with a potential ladder from poverty to economic security and greater well-being, it is seen as critical at the individual and family level. As one individual who runs a significant program that provides poor but capable students with university scholarships emphasized, "*Education can turn a family around. If one child receives a strong education that lets him/her find good employment, it can lift the whole family out of poverty.*"

Education is also seen as the key to national economic progress and development, as well as the country's ladder to the 21<sup>st</sup> century. "*The key to Peru's development is education. The country's economic bottleneck is talent.*"

Interviewees offered additional reasons for their emphasis on education. For some (though not all), education is one of the more politically acceptable areas for philanthropy, in contrast to areas such as human rights or democracy-building, which may draw unwanted government attention. Other interviewees acknowledged that educational giving can also tie directly or indirectly to business objectives, i.e., providing scholarships for technical training required by industry or assisting schools in a community in which a company works.

## *Supporting Students with Learning Disabilities*

One of the goals of the *Custer Foundation* is to improve the quality of education for children with learning disabilities who come from poor communities: a mission largely shaped by the founder's own experience. Tony Custer described, "*One of my brothers struggled through school with severe dyslexia and dyscalculia. I was struck by how, even having everything else he needed, the lack of appropriate therapeutic knowledge kept him from being properly helped. Years later I was even more stunned to see how difficult it was for children in Lima's shantytowns to get the kind of care that was available nearby but that they could never reach.*" This personal experience profoundly shaped the work of the *Custer Foundation*.

The family foundation has operated the *Aprendamos Juntos* (Learn Together) program since 1998. This program works with children, parents, and teachers to promote success and feelings of well-being for these often overlooked children. Begun in 1998 with one school, the program has been replicated in 12 schools, reaching 1,600 children, 50 teachers, and 800 parents each year. Cumulatively, the Foundation and its program have worked with 8,500 children to improve their school performance and self-esteem, trained more than 4,000 parents of school children through hands-on workshops, and trained more than 100 teachers to instruct children with learning difficulties in a more effective fashion.

**“Education can turn a family around. If one child receives a strong education ... it can lift the whole family out of poverty.”**

Anonymous

**“The key to Peru’s development is education. The country’s economic bottleneck is talent.”**

Anonymous

#### *Investing in Individuals, One Students at a Time*

Like philanthropists in many countries, Peruvians often provide support to individual students in order to provide educational opportunities. Individuals in Peru, Colombia and Chile all discussed investments in hundreds of students through *Lumni, Inc.*, a social investment fund that provides flexible education loans for low- and very low-income students who are most often the first family members to attend college. Instead of offering a scholarship or loan, Lumni provides an investment in education and, in exchange, each student commits to pay a fixed percentage of income for 120 months after graduation. The objective of the program is to ensure that the student is not overburdened by debt, and the student's obligation is complete at the end of 10 years regardless of the total sum paid by that date. As one individual noted, “*business-oriented individuals are attracted to this unique approach. I know several people supporting Lumni.*”

#### *Education for the 21<sup>st</sup> Century*

Another innovative, but quite different program in the higher education sphere is *La Universidad de Ingeniería y Tecnología* (University of Engineering and Technology or UTEC). It is a very large educational institution that has recently emerged from the commitment and support of numerous private individuals and institutions. UTEC is a new private university in Lima dedicated to providing world-class engineering education to Peruvians and to building the workforce needed for Peru’s economic growth. The idea originated with the *Hochschild Group*, which was joined by other private companies, including Credicorp, CAT, Cementos Pacasmayo, and *Compañía de Minas Buenaventura* and private individuals.

#### **Preserving the National Heritage and Culture of Peru**

Peru is a country with a long and diverse cultural history, and Peruvians are understandably proud of their nation’s cultural wealth, both past and present. The culture is also recognized as an important part of the economic health of the country, since tourism is one of the nation’s largest industries. Philanthropic capital is helping to preserve and promote Peru’s rich and important cultural heritage in a multitude of innovative ways.

Peru’s diverse historic cultures – including pre-Incan populations dating to around 2200 BC and the Incan Empire of the early 13<sup>th</sup> century – left a rich physical legacy of settlements, agricultural terracing, underground aqueducts, sculpture, gold and metalwork, textile weaving, and pottery. During some 300 years of colonization, Peru absorbed the cultural influences of Spanish and European settlers. Over the course of ensuing centuries, African and Asian cultures have also contributed greatly to enriching the Peruvian landscape. The culture of today reflects and celebrates all of these influences while continuing to welcome and create vibrant new cultural traditions.

Felipe Ortiz de Zevallos explained the importance of philanthropic investments in the country’s culture, “*The national pride in our culture is a strong force. We need to save this heritage. Without a conscious effort to protect it, it will disappear.*” Other conversations offered additional reasons for philanthropic involvement in culture. One interviewee suggested that, since it is an ideologically neutral and therefore “safe” area for giving, there is little potential for backlash from the government or public. Another added that cultural philanthropy does not risk potential arguments about whether or not it should be a state role. “*When you talk about areas like education and health, people argue that they pay taxes and that the government should provide these things. But culture and art are more readily viewed as appropriately funded by private contributions.*” One anonymous philanthropist acknowledged his significant contributions to a leading art museum. Another noted that he annually raises substantial contributions to purchase Peruvian art for local museums.

#### *Peru’s Important Archaeological Heritage*

Although the *Wiese Foundation* historically focused on health care and education in Peru, which it viewed as fundamental pillars for the nation’s development, it began to support its archaeological heritage in 1990. This major new initiative focused on recovering and preserving this archaeological legacy so that it could be shared it with the country and the world.

The Foundation’s cultural work began in El Brujo, an ancient settlement and ceremonial center of the Moche culture built between AD 1–600. Excavation has uncovered extensive polychrome reliefs, painted murals, and the remains of the *Señora de Cao*, one of the most important archaeological

**“The national pride in our culture is a strong force. We need to save this heritage. Without a conscious effort to protect it, it will disappear.”**

Felipe Ortiz de Zevallos

discoveries in recent years. The site opened to the public in 2006. Over the past several years and in partnership with other private and public institutions, the *Wiese Foundation* has also undertaken an ambitious 10-year program to develop the Moche Route, a roadway circuit that will showcase the cultural attractions of northern Peru.

It is also highly noteworthy that the Foundation’s focus has expanded beyond preservation and research to ensure that local communities benefit from this important site and the area’s dramatically enhanced tourism. This program focuses particularly on strengthening local small and micro-companies, called *mypes*, which will provide a variety of services and products to visitors. Initial work took place in Magdalena de Cao, directly adjacent to the archaeological site, which has now become a model for working in several neighboring communities. The ultimate objective is to create a self-sufficient tourist destination that will benefit the local population in a long-term and sustainable fashion.

#### *Peru’s Unique Culinary Culture*

In addition to the monuments and ancient artifacts proudly displayed at Machu Picchu, El Brujo, and numerous other archaeological sites and in museums, Peruvian food has become another cultural icon. As one of the strongest symbols of its rich traditions, Peruvian food has become an integral part of its cultural identity, and a key focus for some philanthropists. As a uniquely Peruvian hallmark, it once again allows Peru to promote a distinctly national characteristic, distinguishing itself from other Latin American nations.

In 2007 chef Gastón Acurio and a group of Peruvians created the *Sociedad Peruana de Gastronomía* (*Peruvian Gastronomic Society* or *APEGA*) with US\$1 million in philanthropic capital. They have since gained increasing support from private philanthropy and international actors, including US\$2 million from the IADB in 2012. As one of its founding leaders and now president, Bernardo Roca-Rey Miro-Quesada indicated, “APEGA promotes our cuisine, strengthens our cultural identity, and contributes to the prosperity of Peru and Peruvians.” *APEGA* is best known for its annual event, *Mistura*, a two-week long food festival that attracts over 600,000 people. The event is designed to strengthen the links between the public and a multitude of actors in the “gastronomic chain,” which is estimated to involve directly or indirectly, over five million people.

Similar to the *Wiese Foundation* work around Peru’s archaeological heritage, *APEGA*’s work seeks to ensure that Peru’s food culture benefits the poor and develops the economies of small local communities, and the work of both organizations have been recognized and supported by numerous philanthropists. The surging interest in gastronomy may signify enormous potential for economic development and employment in Peru. According to a 2010 report by Oxfam, one of every four jobs in Peru is related to small-scale agriculture. Moreover, the interest in creating new food-related jobs and boosting tourism is growing. In 2008, more than 95,000 tourists visited Peru for gastronomic purposes.<sup>22</sup>

In a related activity, *APEGA* has developed a program to promote and market products supplied by small-scale farmers. It also plans to launch an Adopt-a-Terrace program through which national and international organizations and prestigious restaurants can adopt a mountain terrace where foods unique to Peru are grown. The program plans to encourage and support small farmers and conserve these unique 4,000 year old terraces, which had largely been abandoned with the advent of monoculture and commercial farming.

In addition, the *Custer Foundation* celebrates the unique Peruvian cuisine in a different way. Tony Custer, founder and president of the Foundation, is also a nationally known chef. He has authored a renowned two volume cookbook, with all proceeds going to the Foundation.

#### **Influencing Public Policy and Public Opinion**

Again closely related to the goal around national development, some philanthropically-engaged individuals in Peru discussed their interest in influencing public opinion and public policy, with a view toward fostering and shaping the economic strength of the country and the well-being of its citizens.

**“We are vigilant defenders of the rights of children and young people to receive a quality education and value the importance of education in general and basic education in particular, as avenues for personal development and social mobility.”**

RPP Group

As an example the *Instituto APOYO (APOYO Institute)* was established in 1989 by the chairman and directors of *APOYO Group*, a leading private firm engaged in economic consultancy, market and opinion research, and publication of numerous economic periodicals and reports. The *APOYO Institute* is a philanthropic, nonprofit think tank seeking to influence public policy with respect to sustainable economic development, the strengthening of democracy, and the advancement of cultural values. More specifically, they hope to become involved in judicial, congressional, and policing reform, as well as social policies in education, health, and poverty areas.

The family leaders of the *RPP Group* also seek to influence public policy for the public benefit. After a history of engaging in “reactive” philanthropy – receiving thousands of requests for both financial contributions and airtime – the family has recently decided to become more proactive. It has established *El Compromiso*, a philanthropic and nonprofit endeavor described “as a contract with their audience to influence public opinion, public policy, and individual behavior on issues of importance to their audience and the nation.” *El Compromiso* has five pillars: education and culture, health, justice, environment, and security. For each of these priorities, they launch signature media campaigns and special programming, and undertake rigorous research. In a ten-year span, they have developed six informational campaigns aimed at educating parents on childhood development issues, evolving from hand washing practices and basic child nutrition to early childhood education. Other campaigns have sought to promote the importance of clean water and actions against climate change.

In 2013, the family created a separate initiative to advance these goals. Currently housed within the corporation, it is in the process of officially becoming an independent organization. The family wants to create independence from the company so that the work of the NGO benefits the public and also other public media outlets and journalists, not just the *RPP Group*. While it will be governed by the family for the first two years, the plan is to develop alliances with other funding sources in order to diversify and expand the resource pool.

### **Community-based Approaches to Giving**

Although many philanthropists are focusing on specific issues, such as education or cultural heritage, which are viewed as essential to national development and very often include specific community development goals, others take a more integrated, community-based approach. As noted previously, cultural efforts often extend to community development.

As an example, Joaquín de la Piedra describes his efforts to assist communities in the Puno region. Puno is an important agricultural and livestock region, and although it benefits somewhat from tourism around Lake Titicaca, many people in the region’s rural area lack basic needs and services. Close to half the population lives in homes without potable drinking water or electricity, almost one-third are malnourished, and one-quarter are illiterate.<sup>23</sup> De la Piedra began by building one school but quickly recognized the plethora of underlying causes of the region’s poverty and the need for a more holistic approach.

Thus, in 2007, he established the nonprofit organization *Kusimayo*, which is dedicated to improving the living conditions of those affected by poverty and malnutrition. *Kusimayo* now works in 17 communities in Puno and runs several interrelated initiatives to reduce poverty and improve living conditions, including a breakfast program in 15 preschools to improve childhood nutrition; a program to vastly improve living conditions at a hospice for the elderly; a program to introduce new agricultural technologies to small scale farmers; and an ambitious new initiative, *K’oñichuyawsi* (Quechua for *Warm Clean House*), that focuses on significantly improving living conditions by modifying existing houses with three technologies, including construction of an improved kitchen, an insulation of walls and roofs. Together, these technologies can increase the internal temperature by 10 degrees Celsius and remove dangerous cooking smoke from the home. The goal is to renovate 50 homes per year. The cost of each renovation is approximately PEN\$1,500 (US\$500) and the families provide the labor themselves.

# Philanthropic Platforms and Strategies

Most philanthropically-engaged individuals in Peru seem to choose to give directly to an organization or initiative rather than establishing an institution to organize and implement their philanthropic goals. As underscored earlier, there are a very limited number of independent foundations in Peru that operate principally with private funding from an individual or family. With respect to the social-benefit organizations that have been established by individuals or families, most are nonprofit organizations that actively operate their own programs and seek a variety of funding to support their goals and activities.

**Philanthropic Institutions Increase Focus and Impact**  
Individuals and families that have established foundations or nonprofit institutions describe them as a means to create more focus and achieve more impact. Tony Custer explained that, while bureaucratically difficult, he established an independent foundation for several reasons: it focused his philanthropic goals, it helped attract other resources to the foundation's mission, and was an important way to demonstrate the potential impact of private philanthropy and encourage other Peruvians to become more engaged.

As mentioned above, Frida Delgado Nachtigall and her family are in the process of establishing a legally registered NGO in order to become more proactive, focused, and independent from the corporation. The new NGO, *Integración*, is to be governed by the family, which plans to fund the NGO for the first two years and subsequently develop alliances that would augment their own support. Felipe Ortiz de Zevallos similarly described how the *APOYO Group* established a separate nonprofit organization, the *APOYO Institute*, to structure and amplify their philanthropic and public benefit goals. And although the Institute acts independently, it receives administrative and professional support from the *APOYO Group* firms.

## Anonymity in Giving Often Sought

It is likely that one of the factors contributing to the relatively limited number of foundations is a strong desire among many for anonymity around giving. Martín Beaumont, former program director of *Fundación Avina* (*Avina Foundation*), noted that most philanthropy in Peru is not public. He suggests that individuals may not see any public benefit or personal incentives to giving publicly and instead choose to keep a low profile. Many individuals acknowledged that if more philanthropic activity were practiced openly, it would help to encourage others to give. At the same time, many of the interviewees and survey respondents said they do almost all of their giving anonymously. The Peruvian ethos was consistently described as "quiet," "low profile," and "unassuming." There were several reasons given for these anonymous approaches: for some it stemmed from religious convictions or family values; for others, it was not seeking recognition for charitable giving; for still others it was not wanting to draw attention to one's wealth; and finally, some were genuinely concerned about risks to them and their families.

One individual talked about anonymity in relation to different goals of giving: "*Charity could and probably should be anonymous. But if you want to create real and sustainable change, it is better to use your name.*" Understandably, many also asked that their comments for this study not be directly attributed to them.

### **Fundraising is the Norm**

Virtually every philanthropic institution identified in this research, even those with substantial funds from an individual or family, seeks to raise funds from others. This practice applies throughout Latin America and probably stems from a variety of factors, including the limited tradition of grantmaking and a legal system that does not clearly distinguish between resource-granting and resource-receiving institutions. In addition, philanthropists in the region often take an “outcome-oriented” approach to their giving, whereby they identify a problem they want to address – e.g., educational inequalities, rural poverty, or the loss of cultural heritage – determine the goals they hope to achieve, and employ a variety of different strategies and methods to advance these goals, including trying to bring more resources to bear on the problem.

Foundations seek out funds in a variety of ways, including building alliances and asking friends and peers for support. Some have also established online giving portals and others host fundraising events. For example, *Kusimayo* raises support through an annual art event to which Peruvian artists have donated works.

### **Foundation Favor Operating Own Programs**

Most philanthropic institutions operate their own programs. This research did not identify any foundations in Peru whose principal strategy was providing grants to support the work of NGOs, although some foundations may sometimes and sporadically make grants. There also appears to be limited use of some other philanthropic investment strategies such as social impact investing, equity investments, or loans. However, both those interviewed and the survey respondents emphasized their clear interest in learning more about various approaches used elsewhere in Latin America or other countries. Among survey respondents, the majority indicated that they were either interested or very interested in concepts of venture philanthropy, impact investing, and collective impact philanthropy.

### **Partnerships Perceived as Limited but Important**

In Peru, there are some positive examples of strong partnerships that advance philanthropic and social missions, some of which include government or the corporate sector. At the same time, those interviewed expressed widely differing opinions on the benefit of partnerships.

For the *Wiese Foundation*, partnerships are a key strategy. They have worked with the government for over 30 years, and in recent years these partnerships have become stronger and are now viewed as critical to realizing ambitious objectives. As Marco Aveggio explained, *“Partnerships are critical to achieving any large-scale impact. The government needs help from the private sector. We need to build more bridges between the sectors.”* Similarly for Frida Delgado Nachtigall partnerships were a way to capitalize on the synergy of different sectors and organizations. In *RPP Group’s* philanthropic activities, they have created strong alliances with various government ministries and other public and private partners. For example, the *RPP Group* worked with the Ministry of Development and Social Inclusion on a 24-week campaign to inform parents about the importance of early childhood development. It also undertook separate endeavors with the Ministry of Women as well as Alicorp, Peru’s largest consumer goods company, on multiple campaigns to promote the importance of child nutrition. They have also worked with the UNDP and with various other international groups, including the Swiss, German, Spanish, and U.S. aid agencies, the IADB, and the World Bank.

In contrast, other interviewees stated that they had an explicit policy of not working with government. They suggested that political motives could deflect the philanthropic goals and activities and that there was some concern about political corruption. More broadly, some individuals said that historically individuals and institutions have wanted to keep a distance from government and felt that continued lack of trust in the government limited any potential partnerships. Some individuals were considerably more optimistic and thought that this situation was changing and that there would be increased scope for such partnerships.

# Looking Ahead: Challenges and Opportunities

The prospects for increased Peruvian philanthropy are, as in most of the countries studied, simultaneously challenging and cautiously promising. While there are clear obstacles to developing the philanthropic sector – including a lack of historic precedence for large scale philanthropy aimed at social change, bureaucratic challenges that impede giving, and residual apprehension in a post-civil war climate – there is also a feeling of optimism that with political stability, economic growth, and national pride, private philanthropy is growing and will continue to do so. As one interviewee noted, *"Wealth in Peru is new; people are still building individual financial security. With steady economic growth, for the first time, people can begin to project wealth and can perhaps begin to make longer term philanthropic commitments."*

## Societal Trust Mirrored in Philanthropy

While rarely studied, there may be a correlation between the general level of trust in a country and the scope and scale of its philanthropic giving. Resulting from the country's history, Peru's wealthy citizens, as well as the larger population, do not generally trust government leaders or anyone in positions of power. Survey respondents believed this issue to be the primary barrier to increased philanthropy in Peru.

The level of societal trust has been described by renowned economist William Easterly as the extent to which an individual trusts strangers – those beyond one's extended family, clan, or village.<sup>24</sup> By extension, in a low-trust society characterized by trust for only friends and family, giving to institutions and initiatives led by strangers will presumably be limited. Importantly, this would not affect generosity towards individuals or even organizations within one's known community, but would impact broader institutional giving and grantmaking. Cynthia Sanborn explained, *"For various historic reasons there is a severe lack of trust in Peru. People don't trust institutions – public institutions or private institutions. So people give to help the people around them, but are highly reluctant to give to organizations."*

Moreover, there are some who recall the violence of the not-too-distant-past and who indicated they were therefore very reluctant to expose themselves or their families to potential risks through association with nonprofit organizations or visible philanthropic giving.

Thus while giving to individuals and some well-known organizations may be widespread, the lack of trust is likely limiting broader-based giving.

## Building Solidarity across Social Groups

Despite having a strong national identity, interviewees emphasized the lack of solidarity in Peru. Some pointed to the country's hierarchical history, where both the Incas and the Spaniards were highly tiered societies. According to Joaquín de la Piedra: *"600 years of indifference and exploitation of Aymaras has built significant lack of trust among groups."* Tony Custer agreed with this perspective and stressed that in Peru there is virtually no solidarity outside of the family. Another individual added, *"The top social class is made up of a small number of families, who are very closely knit and isolated. Such people don't see the satisfaction in helping others."* The result of these factors is that most people are unaware of or ignore the problems of others. As one person noted, *"In Lima you develop a thick skin against poverty."*

Although acknowledging this social challenge, many interviewees expressed optimism that the situation is changing, albeit slowly. In the last 30 years, Peruvian society has made clear strides in its efforts to include and recognize indigenous populations such as the Quechua and Aymara, as well as the mestizo peoples, groups which have faced social and economic marginalization for centuries. In addition, and as previously discussed, there have been tangible steps to showcase Peru's rich archaeological heritage, its culinary excellence and uniqueness, and most important, new efforts to make sure local populations benefit from expanded tourism and other development programs. As mentioned earlier, APEGA's *Adopt-a-Terrace* program links conservation efforts with social inclusion to support small farmers and rural populations and the *Wiese Foundation* supports the development of self-sufficient tourist destinations that benefit the local population by strengthening their local small and micro-companies. Continuing efforts such as these, which better integrate Peru's diverse populations and create social cohesion, may contribute to greater levels of trust, solidarity, and generosity.

Cynthia Sanborn said she was encouraged by increasing youth interest in social responsibility and engagement. She noted that among students at *University of the Pacific* there was a boom of organized volunteering and more students were considering work with nonprofit organizations, or even creating their own. A number of those interviewed also suggested that Peru would greatly benefit from directly exposing and better educating its youth about the nation's socioeconomic realities.

### **Perceptions of NGO Sector Limit Grantmaking**

NGOs have generally been viewed as weak, unprofessional, and at times corrupt (some donors have lost money with unscrupulous ones): a perception that limits grantmaking in the country. However, interviews indicated that there are still exemplary groups, which are professional, honest, and making a difference. Some still believed that the Catholic Church was the best example, while others believed secular organizations to be best. A few also added that showcasing NGOs that have done excellent work would be a useful means for changing attitudes about the sector, and ultimately increasing philanthropic flows. One individual suggested the development of a rating indicator for NGOs, which would evaluate performance according to various measures.

### **Infrastructure to Support and Promote Philanthropy**

Among the six countries, Peru has one of the least developed infrastructures for supporting philanthropic growth. There are few organizations that focus on: attempting to develop better knowledge about the field; making philanthropy more visible; advocating for more constructive legal and tax policies; developing peer groups for sharing experiences; and/or supporting individual philanthropists. In sum, there are not enough initiatives to effectively promote the role of philanthropy.

Although the challenges are profound, the perception is that there are many, especially some younger Peruvians, who are eager to employ philanthropy and social investment to make a difference in Peruvian society. Several people also suggested the importance of role models, more people who are engaged in laudable and innovative giving and who do so publicly. Philanthropic expert Cynthia Sanborn emphasized the importance of increasing public awareness of social investment initiatives and believed it would be important to highlight innovative and effective examples of philanthropy, particularly those by individuals or families. She noted that while there was significant recognition for companies and CSR initiatives, individuals have rarely been acknowledged for their contributions.

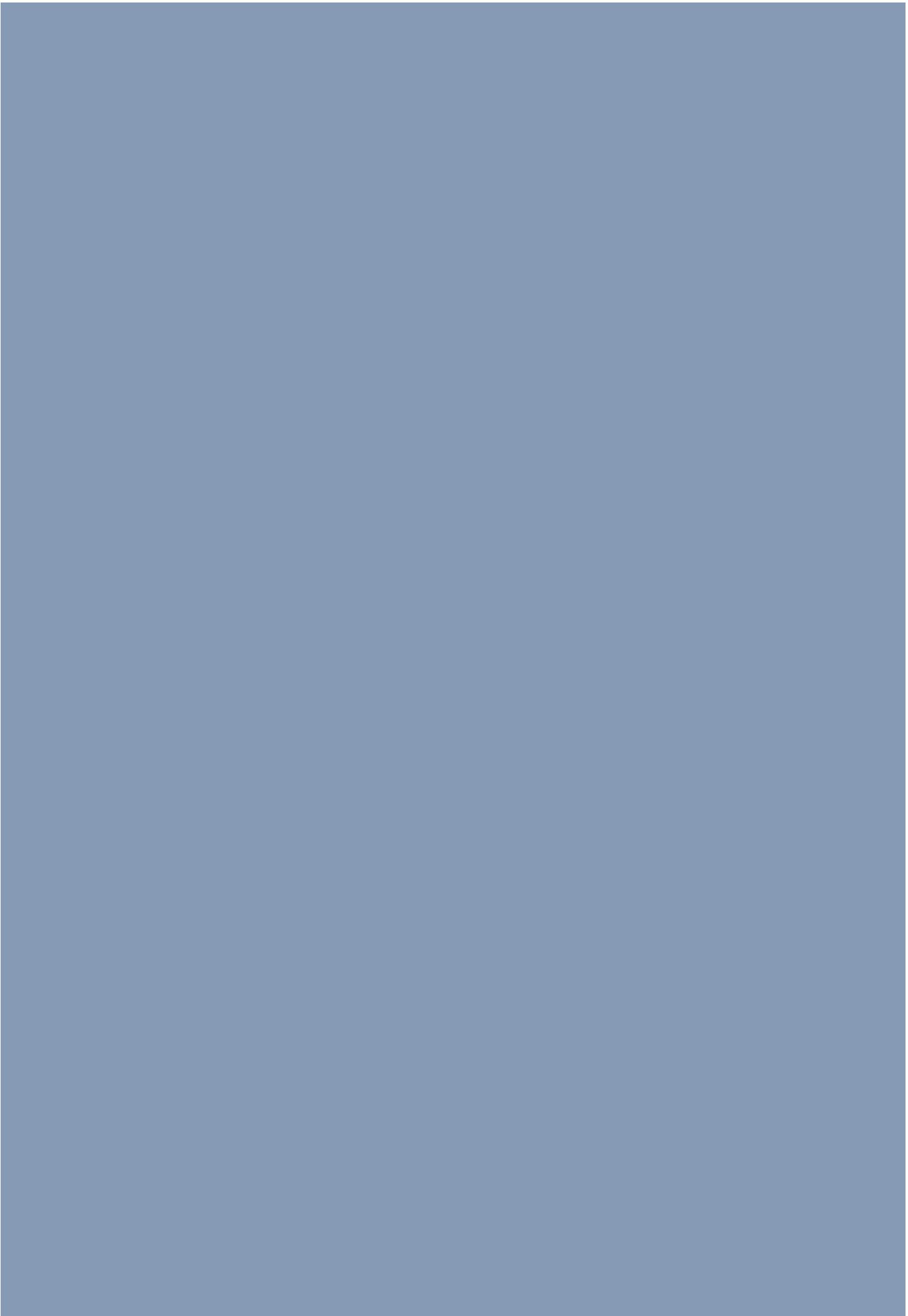
Establishing an organization that could encourage such ideas, bring people together, and create more visibility could be enormously helpful for sharing knowledge, demonstrating impact, and planning strategies. As in most countries, its success would depend in large part on its leadership. Such an organization would also be useful in connecting philanthropists with peers in other countries, especially in Chile and Colombia. Martín Beaumont suggested that increasing exchanges and networking throughout the region could be very valuable.

**Perceptions of the Role of Philanthropy Slowly Changing**  
Most people in Peru believe that the government should be the main provider of basic services, and most also believe that issues such as poverty reduction, education, and health are the state's responsibility. In addition, they believe that, through its promulgation of policies, government should mitigate serious inequalities. Thus, many people believe that since they already pay taxes, they should not be trying to perform these public roles as individuals, too. As such, they continue to see the role of philanthropy as gap-filling rather than driving systemic change.

In addition and as noted earlier, real or perceived abuses of philanthropy in the past have made many skeptical or wary about private giving. Among survey respondents, the public's negative attitude toward philanthropy was clearly the most significant challenge to the growth of philanthropy in Peru.

Felipe Custer and others think that times are changing, however. Not only are more and more people talking about philanthropy, but there are even a few, if isolated, examples of collaborative projects among the private sector, government, and NGOs. Moreover, several of the initiatives described in this chapter present inspiring examples of individuals and families who are attempting to achieve broad-based and equitable impact and systemic change, thereby acting as change-makers rather than gap-filers. Optimistically, as more people see both the social benefit and the personal satisfaction of philanthropic giving, many believe that others will join the effort and become involved. Perhaps this shift can be accelerated by conscious effort and leadership. Echoing the sentiment of many, one individual emphasized, "*We need to make philanthropy cool and sexy.*"

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- <sup>22</sup> Geneviève Lavoie-Mathieu, "Gastronomic Boom in Peru: Redefining Culture and Identity," *Alternatives International Journal*, October 1, 2012, <http://www.alterinter.org/spip.php?article3873>
- <sup>23</sup> "Kusimayo," (Powerpoint, Joaquin de la Piedra, received September 9, 2014), 4.
- <sup>24</sup> William Easterly, *The White Man's Burden*, (New York: Penguin Press, 2006).







## Appendix

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