

RODRIGO VILLAR GÓMEZ

Private funds for social transformation

Philanthropy and private social investment
in Latin America today

ARGENTINA » BRAZIL » COLOMBIA » MEXICO



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THIS STUDY IS A COLLECTIVE EFFORT OF

Association of Corporate and Family Foundations of Colombia (AFE) Colombia

In 2015, the Association of Corporate and Family Foundations, AFE, brought together 61 corporate and family foundations in Colombia. It acts as a spokesperson for its members and through its efforts seeks greater coordination and visibility of their work. Through ongoing monitoring of the sector and knowledge management, the AFE seeks to influence public policies aimed at finding real social transformation that can guarantee a country at peace, more equity, equality and prosperity for all.

The Mexican Center for Philanthropy (Cemefi), México

Cemefi is a non-profit organization with no political or religious affiliations. Its mission is to promote and coordinate philanthropic participation that is socially responsible and committed to citizens, organizations and businesses to achieve a more equitable, caring and prosperous society. Cemefi offers its members services that allow them to develop and strengthen, and in addition to improve the understanding and perception of the government, decision makers and the public in general about the characteristics and social value it and non-profit organizations produce.

Group of Foundations and Corporations in Argentina (GDFE) Argentina

GDFE is a non-profit organization founded in 2001 by a group of donor entities aimed at promoting and mobilizing private funding in a responsible and efficient way in pursuit of the public good in Argentina. Since then, it has been working towards facilitating and promoting mutual understanding and exchange between donor entities, strengthening their management, spreading their main initiatives and developing content that is useful and of interest for the sector.

Group of Institutes, Foundations and Corporations of Brazil (GIFE)

GIFE contributes to sustainable development in Brazil through political-institutional strengthening and by supporting the strategic performance of institutes and private foundations that engage in private social investment in a voluntary and systematic basis. GIFE believes in the transformative power of social investment through the mobilization of the resources of society and private capital, the ability to take risks, promote innovation, and the role of society in strengthening public policies and exercising social control over the State.

The Inter-American Development Bank (IDB)

The IDB is a multilateral organization that acts as a source of financing and the promotion of development in Latin America and the Caribbean. It helps to improve health, education and infrastructure with financial and technical support to countries that work to reduce poverty and inequality. It provides loans, grants and technical assistance and conducts extensive research to meet the challenges of development. The IDB maintains a firm commitment to achieving measurable results and the highest standards of integrity, transparency and accountability.

Avina Foundation and Avina Americas

Avina Foundation is a Latin American foundation created in 1994 focused on producing large-scale change for sustainable development by building collaborative processes between actors from different sectors. Avina Americas is a non-profit organization based in the United States and founded in 2008, with the mission of promoting the common good for present and future generations in the Americas through regional and cross-border collaboration. Avina and Avina Americas Foundation collaborate to strengthen, expand and scale-up shared strategies for systemic change in the region..

Worldwide Initiatives for Grantmaker Support (WINGS)

WINGS is an independent, non-profit organization representing more than 15,000 foundations and social investors worldwide. It promotes and provides leadership in the development of philanthropic and social investment. It offers its members and other organizations information, knowledge and the exchange of experiences. WINGS works to promote the interaction of its members in order to generate a more inclusive movement in which philanthropy connects its traditional base with companies, venture philanthropists, donor foundations and professionals.

FOREWORD

The path already travelled by those engaged in philanthropy and other forms of solidarity with disadvantaged communities in Latin America is extensive. During this process, we have learnt and built much, especially in recent years, which has given rise to new ways of private social investment and has diversified the strategies used to support the poorest.

Given the important evolution the sector has undergone, it became necessary to consider a thorough survey of the sector. It is not possible to value, transform nor scale-up something that one does not know. Under this premise, the Association of Corporate and Family Foundations of Colombia (AFE); the Mexican Center for Philanthropy (Cemefi); the Group of Foundations and Corporations in Argentina (GDFE); and the Group of Institutes, Foundations and Corporations of Brazil (GIFE), got together with the aim of outlining the current panorama of the sector, including its progress and the tasks and challenges facing philanthropy and private social investment in Latin America today. This aim of sharing knowledge and thoughts about the sector also involved the efforts and support of other organizations like the Inter-American Development Bank (IDB), the Avina Foundation and Avina America, as well as the Worldwide Initiatives for Grantmaker Support (WINGS).

These institutions actively participated in the research for this study and enriched its content and reach. Given the different points of view, countries, organizations and actors that exist, it is worth highlighting the value of such a process in itself as a real space for joint interaction and building together.

Beyond the achievement of having such a working paper, we hope this study will allow a better understanding of private social investment and philanthropy in the region, and of the tasks and challenges we face so that through our coordinated actions, real social transformation can be achieved.

This study sets out a comparative view, not just to have an overview about the latest issues facing the sector at both the local and regional level, but also to

have an opportunity to learn and take advantage of existing experiences, practices and tools in the four countries prioritized and in other parts of Latin America.

We hope this study will contribute to a better understanding about the context of philanthropy and social investment in Latin America, and that it will inspire and consolidate other spaces and attract new actors to promote the sector in the hope that in a few years we can have more entities in the region that are counterparts with the GIFE, Cemefi, the GDFE and the AFE, which can join to strengthen our dialogue.

Lastly, we consider this work as a starting point, motivating us to continue to expand spaces of joint reflection, as well as coordinated efforts centered on building a regional agenda that can contribute to better and greater social investment in our Latin America.

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INTRODUCTION

This study is the result of a joint initiative between four associations of foundations in Latin America: the Group of Foundations and Corporations in Argentina (GDFE); the Group of Institutes, Foundations and Corporations of Brazil (GIFE); the Association of Corporate and Family Foundation of Colombia (AFE), and the Mexican Center for Philanthropy (Cemefi). These organizations, with the help of the Avina Foundation and Avina Americas, the Inter-American Development Bank (IDB) and the Worldwide Initiatives for Grantmaker Support (WINGS), collaborated on an analysis about the trends and challenges facing philanthropy and private social institutional investment in the region, and identify opportunities to increase the number of initiatives and improve its impact.

To move forward with this study, a review of existing literature on the subject was carried out, as well as interviews and focus groups in Argentina, Brazil, Colombia and Mexico. These were organized by the associations of foundations of each country, and foundation directors and associated entities actively participated in several of them. The study had an advisory committee, comprised of the directors of the organizations who promoted the study, and the design and progress made in the research was discussed in the committee. The preliminary research results were presented at various national events (such as the GIFE Congress in Sao Paul, Brazil, GDFE's Seminar in Rosario, Argentina and a talk at the University of San Andres in Buenos Aires, as well as regional events (the Ibero-American Congress of Civil Society in Pueblo, Mexico), which produced important inputs for the study.¹

¹ For a detailed description of the methodology use see technical note in annex 1.

² Recently, Harvard University's Hauser Institute of Civil Society and UBS published "From Prosperity to Purpose. Perspectives on Philanthropy and Social Investment among Wealthy Individuals in Latin America" This useful study complements what we are presenting here because it focuses on people, while this study is focused on philanthropy and institutional social investment.

Few studies in this field have sought to have a regional and comparative view between countries.² This study is the first to be guided and promoted by the main associations of foundations in Latin America. One previous initiative was a paper published in 2005, supported by the Program on Philanthropy, Civil Society and Social Change of the Americas (PASCA) at Harvard University. Cynthia Sanborn and Felipe Portocarrero were the editorial coordinators of the paper entitled *Philanthropy and Social Change in Latin America (2005)*, which was the result of a set of articles from experts in the region about the main historical traditions and trends in philanthropy.

In the introductory chapter, Cynthia Sanborn summarizes the trends in philanthropy over the past 10 years as described by different experts in Latin America. Among these trends, is the growth of organized secular philanthropy and, in particular, corporate philanthropy; the emerging development of community philanthropy; the predominance of the operation of programs over donations; the priority given to education and training as issues addressed in private foundations and corporate programs. Also among these trends is the little importance given to human rights, civil liberties and the promotion of democracy in the agenda of foundations, the development of some programs aimed at strengthening civil society organizations, and little attention paid to the issues of transparency and foundations being put under public scrutiny (Sanborn, cited by Sanborn and Portocarreo, 2005, pp. 10-11).

As will be analyzed in this study, some of these trends have gained strength in recent years, and a few new trends have emerged during the same period. Among the leading trends is corporate social investment, the most important trend during the XXI century in Latin America. Regarding the importance of corporate foundations and the direct investment programs companies have, education and training continue to be priority issues, while human rights, democracy and civil liberties continue to be seen as marginal issues. Community philanthropy has continued to advance and it has come up with different strategies to strengthen grassroots organizations, while the strengthening of other types of civil society organizations is not an issue that has been consolidated in the foundation world. There are significant differences between countries around the issue of strengthening organizations and their capacities. But perhaps because this issue has become increasingly important in foundation programs, it is not a key issue on the foundation agenda.

Among the new themes in philanthropy, is the rapid professionalization of the sector in the past decade and the development of management capacity within foundations, as well as the creation of national and regional networks and several partnerships between foundations. With the issue of management, comes a growing concern about the impact, scale and sustainability of programs,

as well as the importance the issue of evaluation has gained in the discourse of the foundation world.

As part of this growing concern about impact, support has grown for market-based social solutions (social business, business at the base of the pyramid, and inclusive business), as well as relationships with governments and the setting up of public-private partnerships. A desire to influence public policy is also increasing, though there is still a long way to go in this direction. In the same way, transparency and accountability have also gained relevance and concrete ways to put this into practice are moving forward.

One big change in the last decade, perhaps linked to the increasing importance of companies in the foundation world, is the leading role the concept of private social investment (PSI) has gained over philanthropy. But as will be seen, philanthropy has recently begun to regain some lost ground in terms of its importance and reach.

Even though the information available about philanthropy is limited, as noted above, (see Sanborn and Portocarrero, 2005, p.11), fortunately today there are censuses of foundations in Brazil and Colombia; directories of foundations in Mexico and analytical studies about foundations and companies in Brazil and Argentina. There are also studies on specific sectors (corporate foundations in Colombia and Mexico and community foundations in Mexico); websites with information about donations, like Mexico's Tax Administration Service (SAT), which addresses transparency, Funds in Sight in Mexico, and the Latin America Donor Index produced by Avina and the IDB; as well as a growing volume of books and articles about philanthropy. With this new information, it is possible to conduct a more detailed analysis compared to what was available ten years ago. However, it is still necessary to produce information in a more standardized way between countries so that comparative studies about philanthropy and private social investment can be carried out.

This study was produced using the existing information available, and information from interviews, focus groups, and conversations with the directors of the associations of foundations and contributions from experts (see annex 1).

The first section analyzes the changing dynamics of the concepts of philanthropy and private social investment and the direction in which they are moving. In the second section, a brief description is given about the main changes in Latin America's socio-economic context.

The third section addresses the composition of the foundation sector and the key features of each type of foundation. The section ends with an analysis about the difficulties in quantifying private social investment at the national

level, and a summary of the little amount of aggregated information there is available about this issue, looking at the cases of Brazil and Mexico.

The fourth section focuses on the growth of corporate social investment., and looks at the progress of corporate foundations and the direct programs companies have, the implications of the predominance corporate investment has over other sources of funding, and diversifying the sector as is being suggested in some countries.

The fifth section discusses the particular strategies being implemented by foundations in order to improve impact and the scale of their interventions, such as creating shared agendas, local or regional development, producing replicable models and influencing public policy.

The sixth section describes the foundations' complex relationship with civil society organizations and the limits empowerment / strengthening programs have on these types of organizations.

The seventh section focuses on looking at the importance public-private partnerships have gained in the discourse of the foundation world.

The eighth section examines three new issues and the growing importance of transparency, evaluation and learning in recent years.

The ninth section describes the importance of infrastructure for private social investment and philanthropy, and particularly the valuable role the associations of foundations have in this regard.

The last section presents the main tasks and challenges facing foundations in the future, according to the opinion of the author, in order to achieve greater relevance, legitimacy and impact.

1

PRIVATE SOCIAL INVESTMENT AND PHILANTHROPY: THE MEANING OF TWO DYNAMIC CONCEPTS

Definitions given by the associations of foundations



- **They share a common interest:** to promote strategic practices and social investment and philanthropy over the long-term.
- Their concepts are **aspirational** and they aim to raise the standards of interventions carried out by the foundation sector.
- GIFE: Private social investment (PSI) **“is the voluntary transfer of private funding in a planned,** monitored and systematic way for social, environmental and cultural projects of public interest.”
- GDPE: PSI is **“the responsible, pro-active and strategic use of private resources** in which the expected return is the well-being of the community and development over the long-term.”
- Cemefi: philanthropy is **“an approach that involves respect, attention and service** targeted towards promoting the development of people. It is the expression of a generous impulse that exists among all human beings and in all cultures.”
- For its part, the AFE, has not taken on a specific definition but it works on the evolution of these concepts in order to have ownership over them.

¿What ideas were raised in the interviews and focus groups?

- Philanthropy is associated with **actions of solidarity and generosity**; and it is seen as an altruistic expression of human beings and of institutions.
- Philanthropy and PSI are often juxtaposed. People say that while PSI is strategic, systematic, and results orientated and is targeted over the long-term, and aimed at achieving impact and sustainability and social transformation, **philanthropy is short-term, welfare-based, timely, individual** and is motivated more by sentiment and passion.
- Some of the people interviewed did not juxtapose philanthropy with PSI. Rather they consider that an organization can, and sometimes should, complement philanthropic **actions with social investment.**
- One group has made philanthropy its central concept and has given it all the other meanings others give to PSI: that philanthropy should and can be **transformative, strategic, collaborative, participative** and profitable both in social and economic terms.
- In one focus group, it was said: “[...] philanthropy **is the mother of all concepts of private** social investment and corporate social responsibility.”

Return on investment

- The importance of the return on investment stems from a company's rational approach in order to carry out social investments, and it also comes from the question about the value such investments have for a company.
- The use of the term 'return' is not limited to the analysis of corporate social investment. It has expanded to include a whole group of social investments.
- For some companies, the search for a return on investment is the expression of an instrumental rationality and an utilitarian logic that is imposing itself as an ideal.
- In general, companies allow a return on reputation and other advantages that can come from investments, but for some companies the financial return belongs to them as a non-profit benefit.
- If the main objective is the public good, and the results obtained are related to social change, then financial profits can be considered as a way to generate sustainable social change.
- Investment with impact, social businesses and in general market-based solutions for social problems, should be mechanisms used by philanthropists to expand and scale-up the impact of their programs.
- Currently, there are those who would like to restore and regain philanthropy in a positive way and place it next to PSI, as part of a continuum, and in such a way prevent a dichotomous view and a juxtaposition between both of these concepts.

PRIVATE SOCIAL INVESTMENT AND PHILANTHROPY: THE MEANING OF TWO DYNAMIC CONCEPTS

The concept of private social investment (PSI) has gained strength in recent years, especially in Argentina, Brazil and Colombia, and PSI has been established as a guide in the foundation and corporate world. The conceptual predominance of PSI was achieved, in general, by contrasting it with philanthropy, recognizing the great qualities of PSI and the many limitations of philanthropy. It is only recently that philanthropy has begun to regain a positive role, including in some cases, its recognition as being important by a large part of the international community.³

1.1 Definitions given by the associations of foundations

The definitions given by various associations of foundations share a common interest: to promote practical and long-term strategies for social investment and philanthropy. Their ideas are ambitious and aim to raise standards in the interventions carried out by the foundation sector. GIFE in Brazil and GDFE in Argentina have both established the meaning and reach of PSI, something that is used to promote the work of its members. So far, the AFE in Colombia has preferred not to have a definition of PSI as used by the institution. But, in general terms, the AFE shares the ideas put forward by its peers regarding PSI, which will be analyzed later.

3 The concept of philanthropy has different meanings worldwide, but according to the WINGS glossary, a common way of understanding philanthropy is something that is a voluntary donation from a person or a group of people to promote the public good. In a recent blog about the history of philanthropy, Oliver Zunz makes an interesting distinction between philanthropy and charity. "In general, I agree with the traditional distinction between philanthropy and charity, where charity refers more to the different ways of giving and temporary help, while the meaning of philanthropy that is used more, at least in the United States, refers to long-term goals that seek to address the roots of the problem." (Published in HistPhil blog, June 22, 2015). Such a distinction between philanthropy and charity is the same, as will be seen in the next section, which is usually made in Latin America between philanthropy and social investment. The meaning Zunz gives to charity is the same meaning given to philanthropy in Latin America, and the meaning Zunz gives to philanthropy is the one given to private social investment.

From its beginning in the 1990s, GIFE took PSI as a reference guide. For GIFE, PSI “is the voluntary transfer of private resources in a planned, monitored and systematic way for social, environmental, and cultural projects of public interest” (Degenszajn and Ribeiro, 2013, pp. 19-20).

This definition has various components. On the one hand, the voluntary act of investment, on the other hand the type of private resources, which may be financial, technical or in-kind, and this could be used as leverage to get government tax incentives. The purpose for which the resources are used is another defining element of the concept of PSI because this must be aimed at serving the public interest.

As for the actors involved in PSI, GIFE includes companies, foundations and institutes of a corporate origin and those created by families, communities or individuals. Lastly, how the voluntary transfer of resources is carried out is what distinguishes PSI from welfare or assistance-based programs. This is because PSI has three defining features that are not part of welfare-based assistance. These include:

1. Concern over the planning, monitoring and evaluation of projects.
2. The use of strategies aimed at sustainable results that bring about impact and social transformation.
3. Community involvement in the development of programs (Degenszajn and Ribeiro, 2013, p. 19).

GDFE’s definition of PSI has several elements in common with GIFE’s definition. For GDFE, PSI consists in “the responsible, proactive and strategic use of private sector funding in which the expected return is the wellbeing of the community and development over the long-term” (GDFE, 2012, p. 15). This definition does not explicitly suggest the voluntary nature of an investment, but it can be viewed as being implicit in the definition. For GDFE the meaning of the term resources, like for GIFE, is understood in a broader way than just being about financial resources. As GDFE says, “in the context of PSI, the notion of “resource” is broader than just a list of funds and materials but refers to experience, knowledge, management tools, time, etc.” (GDFE, 2012, p. 15). Unlike GIFE’s definition, the objective of the proposed investment for GDFE is the wellbeing of a community and is not about the public interest. These are related concepts but they are not the same. In GIFE’s definition of PSI, the idea of the long-term is not being suggested, and is something GDFE incorporates into its approach towards PSI. Another point that GDFE adds into its definition of PSI is the idea of expected return, which is understood as community wellbeing and development over the long-term. This key part of the definition of PSI will be discussed in detail later.

For both the GDFE and GIFE, the way in which private funding is used is also what differentiates PSI from welfare-based assistance, though the ways in which this differ varies slightly. GDFE suggests that PSI should be responsible, proactive and strategic, while the definition GIFE uses involves planning, monitoring and evaluation, impact and the involvement of the community is at the heart of its approach.

Like GIFE, the GDFE considers that PSI actors are varied and are not limited to companies or corporate foundations. “It’s worth highlighting that in addition to corporate investments, there are numerous independent donor entities pushing ahead with private social investment” (GDFE, 2012, p.15).

And as such for GIFE, like GDFE, PSI and corporate social responsibility (CSR) are related but distinct concepts. In the words of GDFE, “even though both concepts are related, PSE is different from CSR because the latter is a more of general idea that refers to the ethical behavior of a company towards society, which include economic, environment and social fields” (GDFE, p.15).

Since it was founded, Mexico’s Cemefi, unlike the other associations of foundations, took up philanthropy as its central concept, which is:

[...] every approach involving respect, care and service, channeled at promoting the development of people. Philanthropy is an expression of a generous pulse that exists in every human and in all cultures; it involves all actions that show a commitment towards people, non-governmental institutions and companies, which contribute their time, talent and resources in favor of the development of a community (Cemefi: CSOs and Philanthropy in Mexico. What they mean and why they are important, 2008, p.19).

The above is a broad concept of philanthropy, centered on the values / worth of generosity, commitment and helping others. This concept does not include in its definition, as is the case with PSI, a particular connotation about the way philanthropy is carried out (be it planned, strategic, assessable, result orientated, etc). Yet neither is there any conflict in such a definition, which is the same one Cemefi promotes in its forums, workshops and courses. For Cemefi, philanthropy is a broad concept and PSI should be limited in its use for corporative philanthropy.

The resources used in philanthropy, as well as in PSI, are not limited to financial ones but include time, talent and services. As Jorge Villalobos, Executive President of Cemefi, says:

[...] at the Mexican Center of Philanthropy (Cemefi), we make an effort to emphasize that philanthropy is not just about money. Ultimately it is about contributing and bringing talent, relationships and resources for the public good on behalf

of third parties. We seek to attract the attention of citizens and show them how important participation is. That's to say, every person is responsible and has the right to participate in the decisions made about what goes on in a society because social wellbeing is everyone's responsibility. (*ExpokNews*, 6 May 2011)

In addition, the purpose of philanthropy, as put forward by Cemefi, is for the public good in favor of others, and the voluntary nature of a philanthropic act is implicit.

1.2 PSI and philanthropy as discussed in interviews and focus groups

The term private social investment (PSI) has become very prevalent in Argentina, Brazil and Colombia, and it can be said that the term has become part of the language used among social investors. From what could be observed in the interviews and focus groups, in general terms it can be said that in these countries PSI is defined as something in contrast to philanthropy. PSI is the “politically correct” term, while philanthropy, even though associated with some positive qualities, is connected with certain features that still need to be overcome. On a few occasions, philanthropy is seen as a guide for action in the foundation world. As we shall see at the end of this section, a small but apparently growing group of people, propose to regain the positive aspects of the concept of philanthropy to avoid corporate and instrumental rationality dominating in the world of PSI (see section 1.3).

Philanthropy is associated with acts of solidarity and generosity; and it is seen as an altruistic expression of human beings and of institutions. It is a way of giving without expecting any reward, of giving something back that one has, and to contribute as an individual or organization to improve society. But alongside these positive aspects, philanthropy is often contrasted with PSI, that while PSI is strategic, systematic, and results-orientated, concerned with the long-term and impact, sustainability and social transformation, philanthropy is the opposite. That is to say, philanthropy is something that is short-term, welfare-based, punctual, individual, motivated more by sentiment and passion than by thought and analysis, is not focused, is neither strategic nor does it generate social value, is associated with giving someone a fish but not teaching them how to fish, and it does not build capacity. With such opposing views, philanthropy and PSI appear as two contradictory and opposed approaches, and the conclusion that one draws from this is that philanthropy should be overtaken by PSI.

Some of those people interviewed, taking the above definitions into account, did not view philanthropy and PSI as two opposing concepts but rather they established a continuum between these concepts. They believe that an organiza-

tion can, and sometimes, should complement philanthropic actions with social investment. As one director of a foundation said in an interview:

[...] just like when someone is drowning it is necessary to give them a hand to get them out of the water because at that moment there is no time to begin with swimming lessons, there are conditions in which it is necessary to engage in philanthropy (understood as an act of welfare) and assist people, but when the conditions are there PSI should be carried out.

This same reasoning applies according to the context of a country, considering that in countries with high levels of poverty, concrete and quick responses are required for unmet needs. In this sense, PSI is not always the answer, as this needs processes to be more long-term and centered on capacity building. From this perspective, some social investors believe it is not only possible, but also advisable to complement PSI and philanthropy. But it is important to highlight that based on such views, philanthropy is understood as welfare-based assistance that is short-term and something that does not build capacity.

There is, lastly, a group of people who intentionally have got their central concept from philanthropy, giving it all the connotations others give to PSI. For them, philanthropy can and should be transformative, strategic, collaborative, participatory and profitable from a social and economic point of view.

Mexico, perhaps due to the work of Cemefi, is a country where the concept of philanthropy is a positive one and it is not usually set against PSI. On the contrary, as one focus group commented, “philanthropy is the mother of the concept of private social investment and corporate social responsibility”. In Mexico, the discussion around welfare-based assistance does not occur, as it does in other countries, from the basis of PSI, and these two concepts are not set against each other. Rather welfare-based assistance is usually set against the concept of development in its different forms.

From what can be observed, the semantics around philanthropy and PSI are as rich and fruitful as the very practices that make them up. More than any fixed criteria and agreed definitions, there is a continuous and very dynamic flow of new ideas and changes in the meaning of terms, which guide a range of programs and actions for those who give their life to this sector.

1.3 Social investment and return

One aspect of PSI that continues to generate great debate in the region, is: - the return on investment. Unlike philanthropy, understood as a generous and selfless act, many times PSI is seen like any other kind of “investment”, as something that should seek a return. The importance of a return on investment

arises from the debate and corporate rationale when carrying out social investments and questions about the value these investments have for a company. However, the use of the term return on investment is not limited to an analysis of corporate social investment and it has expanded to include all kinds of social investments, be it corporate or not. For example, as was seen before, for the GDFE in Argentina, the return is part of its definition of PSI. It is understood not as a return for the person giving the investment but as “community welfare and development over the long-term.”

From what has been ascertained in interviews and focus groups, the concept of a return, as is understood by the GDFE, is not under discussion in the region. But when this is posed as such to the company or the person making an investment, there is criticism and increasing calls for serious thought on the issue. For example, for some who participated in the focus groups in Colombia and interviews in Argentina, the pursuit of a return on investment is an expression of instrumental rationality and utilitarian logic that is imposed as an ideal over deeper ethical concepts such as solidarity, generosity, and altruism present in philanthropic actions.

For this group, the expansion and acceptance of PSI, and especially the pursuit of a return on investment, is part of a wider phenomenon, which considers the market and the corporate vision to be the most appropriate and sustainable ways for social transformation rather than actions guided by values like solidarity. From this point of view, this group proposes to restore in a positive way the values associated with philanthropy. As this interview with a corporate foundation director said:

[...] before social causes were supported, and if the cause was positive and if support was carried out in a good way, that was sufficient. These days one has to add to the equation the return for a company, and because of this important social causes are not being supported since not all causes that are important for a country or an area generate a return for companies. It is important to break with the dichotomy between philanthropy and PSI and not to be so stuck on the concept of shared value.⁴

⁴ The concept of “shared value” refers to the idea disseminated by Porter and Kramer (2006, 2011), which is currently very accepted in the corporate world. The idea is that it is possible, and advisable, for companies to develop policy and operating practices that simultaneously contribute to strengthen a company’s competitiveness and improving the social and economic conditions of the communities in which the company operates in. Taking into account social needs, and not only economic needs, as defined by the markets, companies can generate an economic value by creating a social value, the authors say. As such is it possible, and advisable, to generate value for a company and for society at the same time. This can be done by redefining products and the markets, productivity over the long-term along the value chain or creating favorable conditions in the region where the company operates in.

Furthermore, when a return refers to something economic and financial, differences in opinion between participants in the interviews and focus groups were evident. In general, it was recognized that a return on reputation and other advantages could come out of this for companies. But for others, a financial return was seen as something that is expected for non-profit companies but not for social investors. For this group of participants, the qualifier social in the phrase “social business and enterprises,” is understood as those organizations that seek social and economic profit at the same time. This does not clarify the matter but only confuses it because one thing is business and another thing is PSI. For others, on the contrary, this resistance to accept the potential contribution of the private sector and market solutions towards social change is part of a culture that views gain as something negative and irreconcilable with the social world. As several participants in the focus groups said, “some people still see the generation of profit linked to social action as something that is “demonized.”

For others, everything depends on the fundamental aims and results an investment brings. If the main aim is the public good and the results achieved are linked to social change, then market solutions and economic profits can be seen as a way to make social change sustainable, and therefore, the qualifier social is valid for a business. But if economic profit dominates over an investment’s social mission, even though the clients benefiting from the investment are found to be at the base of the pyramid, the qualifier social does not fit into this business. From this point of view, the creation of social value and the creation of economic gain are not irreconcilable. On the contrary, the shared value represents a promising path and is a big opportunity for social transformation. As such, this group of participants considers that the impact of an investment, social businesses, and in general market solutions for social problems, should be mechanisms used by philanthropists to expand and scale-up the impact of their programs (see section 3).

In such a context, it is therefore no accident that when one begins to analyze in a critical way the central importance of return as part of PSI, there are those who want to restore the positive aspects of philanthropy or some of its constitutive elements like generosity and solidarity. This seeks to place philanthropy and PSI as part of a continuum, and in such a way avoids a dichotomous and opposing view of the two.

2

THE SOCIO-POLITICAL CONTEXT OF PSI AND PHILANTHROPY

- The average GDP per capita in the region increased from **US\$8.400** in 2000 to US\$9.600 in 2010, with big differences found between countries in the region.
- In such a context of growth, most governments **increased their social public spending.**
- **Greater social investment, along with an increase in employment** in the region, resulted in a significant decline in poverty.
- The accumulated fall in poverty rates from 2002 to 2012 reached 16 percentage points and extreme poverty fell by 8 percentage points.
- From 2010 onwards, there was a slowdown in the region's economy and a subsequent stagnation in the **decrease in poverty.**



- In the last two decades, most of Latin America and the Caribbean went from medium to high human development, according to the UNDP.
- In primary education, efforts were concentrated on reducing school desertion and pupils having to repeat academic years, and in increasing school retention rates.
- In secondary education, there was a slight improvement in the net enrolment rate (67% to 72%) from 2000 to 2010.
- In higher education, an increase in enrolment rates was rapid during the first decade of the XXI century, with an average increase of around 40%.

Mistrust in public institutions

- In 2011, 60% of Latin Americans had little or no trust in political institutions or in the State, according to Cepal.
- The high levels of wealth concentrated in the hands of a few and social differences fuel a big number of social conflicts in the region.
- More than half of the region's young people in countries analyzed in a Unesco study had not had basic training in citizenship.
- In Mexico, the increase in poverty over the last decade and progress made in reducing inequality is the lowest when compared with Argentina, Brazil and Colombia.
- In 2013, Mexico, together with Honduras and Peru, were the countries in the region where people were most dissatisfied with democracy.
- Argentina is one of the countries that has historically maintained a higher support for democracy in the region, and together with Brazil, it is one of the countries that has made most progress in the fight against poverty.

Inequality – the big problem

- Latin America continues to be the most unequal region on the planet and this inequality constitutes the main challenge for the region's future (UNDP, 2013).
- In the last three CEPAL reports, the issue of equality and social inclusion were placed at the center of debate.
- In Colombia, 20% of the country's income is concentrated in the hands of the richest 1%. In Argentina, that latter figure is 17%, and in Uruguay, the least equal country in the country, it is 14%.
- According to a study by Oxfam, "the number of multi-millionaires in Latin America increased from 111 in 2013 to 153 in 2014, making Latin America the region with the highest growth rate of rich people in the world."
- Latin America is also the world's most dangerous region, according to Oxfam: 41 of the most dangerous cities are found in Latin America, where from 2000 to 2010 a million murders were recorded.
- Despite a fall in accumulated poverty levels in Latin America from 2002 to 2013, child poverty still remains higher than the population average.

THE SOCIO-POLITICAL CONTEXT OF PSI AND PHILANTHROPY

In general, it can be said that unlike the critical decades of the 1980s and 1990s, Latin America and the Caribbean underwent notable economic growth during the first decade of the XXI century. This includes an increase in government social spending, a significant growth in wealth, poverty reduction, progress in various social indicators and a consolidation of political democracy. But alongside this good news, persistent economic and social inequality in the region changed little, which along with environmental degradation, growing insecurity and violence in several countries in the region, contributed to increasing distrust of public institutions and the deepening of social ruptures.

From 2010 onwards, the region's economy slowed down and this also brought a slowdown in the increase in social spending and stagnation in poverty reduction. In some countries, the downward trend in poverty reduction of the previous decade has begun to reverse, as ECLAC has shown in its latest report (2014). This new scenario creates a huge challenge for Latin American governments, and of course, for PSI and philanthropy, in maintaining and deepening the social advances of the past decade amid an adverse economic environment.

2.1 Economic growth and poverty reduction in the XXI century

Latin America's economic situation was relatively positive during the first decade of 2000. While this path of growth was interrupted by the 2008 financial crisis, the overall economic performance of Latin America was favorable in the face of the financial crisis compared to what happened in other regions of the world. The average GDP per capita in the region increased from US\$ 8,400 in 2000 to US\$ 9,600 in 2010, with wide variations between countries. While in 2010, five countries in the region had an annual per capita income of about US\$15,000, seven countries did not reach US \$ 5,000 (Unesco, 2013, pp. 32-33).

In such a context of economic growth, most governments increased their social spending. While in the 1990s, social spending rose by 3 percentage points (from 12.5% to 15.2%), the increase was faster during the first decade of the XXI century, reaching 4 percentage points (from 15.2% to 19.1 %) (ECLAC, 2014, p. 53). In recent years, some of the main tools used to combat poverty in the region were conditional transfer programs aimed at reducing poverty by providing direct cash transfers to families with conditions attached, including their children attending school and health checks. In 1997, three of these programs were operating. In 2010, 18 countries in the region had adopted cash transfer programs with an investment of 0.4% of the region's GDP benefitting about 25 million families, around 113 million people, which is equivalent to 19% of the region's population (Checchini and Madariaga, 2011, p. 7).⁵

Public spending on education also increased during this period, rising from 4.5% to 5.2% of a country's GDP on average in the region. Most of this increase was due to the expansion of educational services rather than a rise in public spending per student, which remained the same at the primary and secondary education level, while spending on higher education fell significantly (Unesco, 2013, p. 22). In Argentina, Brazil and Colombia, both the total public expenditure on education relative to GDP and public spending on primary and secondary education in relation to GDP per capita increased significantly between 2000 and 2010, while in Mexico it remained the same (Unesco, 2013, pp. 38-42).

Greater social investment, together with the rise of employment in the region, produced a significant reduction in poverty. Since 2002, this decrease was almost universal among countries in the region. While the proportion of the population living in poverty and extreme poverty remains high in Latin America (39.5% or 164 million people in 2012, of which 28.2% were poor and 11.3% were extremely poor), the cumulative drop of poverty rates between 2002 and 2012 reached 16 percentage points and extreme poverty fell to 8%. Poverty rates fell at a higher rate between 2002 and 2007 when the number of poor people decreased at a rate of 3.8% per year, and the number of people living in extreme poverty fell to 7.1% per year. While between 2007 and 2012, the poverty rate fell to 2.5% per year and 0.9% per year for extreme poverty (ECLAC, 2013, p. 17).

⁵ The conditional transfer programs among the countries examined in this study, and the year in which they were founded, are: Universal Allocation per child for social protection (2009) and the Buenos Aires Citizen Program "With all rights" (2005) in Argentina; Bolsa Familia (2003) in Brazil; Families in action (2001); Together Network (Network to overcome extreme poverty) (2007); Conditional Subsidies for school attendance (2005) in Colombia; Prosper (Opportunities, Progress) (1997) in Mexico. The first of these programs was developed in Mexico and its main features were expanded worldwide (Checchini y Madariaga, 2011, p.11).

Table 1 shows the changes in poverty rates in Argentina, Brazil, Colombia and Mexico between 2005 and 2012. The variations in poverty reduction are notable in both the percentage of people living in poverty and those living in extreme poverty in Argentina and Brazil. Colombia also performed well in terms of poverty reduction. On the contrary Mexico, however, is among the few countries in the region where the proportion of people living in poverty and extreme poverty increased during the same period.

TABLE 1
Percentage of people living in poverty and extreme poverty by country

| | Poverty | | Extreme poverty | |
|------------------|---------|-------------------|-----------------|------|
| | 2005 | 2012 ⁶ | 2005 | 2012 |
| Argentina | 30,6 | 4,3 | 11,9 | 1,7 |
| Brazil | 36,4 | 18,6 | 10,7 | 5,4 |
| Colombia | 45,2 | 32,9 | 13,9 | 10,4 |
| Mexico | 31,7 | 37,1 | 8,7 | 14,4 |

SOURCE: ECLAC (2013, p. 19).

From 2010 onwards, there was a slowdown in Latin America's economy and a subsequent stagnation in poverty reduction. By 2013, the proportion of poor and extremely poor people was similar to levels in 2012, of the 39.8%, 29.1% of people lived in poverty and 11.7% in extreme poverty. But the number of people living in extreme poverty increased to about three million, which represents a setback in comparison to previous years. This brings about a new scenario, the vulnerability of people who just a few years ago has crossed over the poverty line. The stagnation and setbacks in poverty reduction correlates with the declining trend in social spending from 2012, and as we saw earlier this increased substantially in the first decade of the XXI century (Cepal ECLAC, 2014, pp. 15 262).

2.2. A decade of improvements in human development and education

Progress made in social indicators in Latin America can also be seen in changes to the Human Development Index (HDI) and more specifically in education, a sector that will be analyzed in other section that is important for SPI and philanthropy in the region. The index is a measure that combines a person's life expectancy, income and education, which is estimated each year by the United

⁶ For 2013, the last year included in ECLAC's 2014 Social Panorama of Latin America report, there is no data on poverty or extreme poverty for Argentina and Mexico, so in order to make comparisons between the four countries data from 2012 was used.

Nations Development Program (UNDP). In the last two decades, most countries in Latin America and the Caribbean went from a human development level from medium to high, according to criteria used by the UNDP. In 2010, only Haiti remained a country with low levels of development. The HDI ranges between 0 and 1, with 1 being the optimal level of human development. The average for the countries in the region ranged from 0.593 in 1990 to 0.649 in 2000 and 0.706 in 2010 (Cepal ECLAC, 2013, p. 32).

As for education, it is important to analyze changes among different levels of education because each level performs in a different way. In the region, for example, in early childhood there is great diversity in the quality of public programs targeting young children. Early childhood has gained an important space in the education agenda, but there are still significant gaps and big disparities in the quality of programs provided. In terms of access to early childhood education programs, there was a moderate increase between 2000 and 2010, a period in which the net enrollment rate for early childhood education rose from 56% to 66% (UNESCO, 2013, p. 23).

In 2000, primary education already had a high rate of access, with the average net rate in the region at 94%. Most efforts have focused on reducing repetition and school dropout rates, and increasing school retention rates. In the past decade, significant progress has been made in all these indicators, especially in areas with poor populations and in rural areas where the gap was partially reduced at the primary level. (Unesco, 2013, pp 23-24.).

There are still major challenges in secondary education in terms of access and coverage. However, between 2000 and 2010 there was a slight improvement in the net enrollment rate at the secondary level (67% to 72%). Despite this, a significant percentage of young people still do not complete their secondary education, mainly due to high repetition and dropout rates, which have not changed much during the last decade. The average dropout rate for the region decreased from 17.7% in 2000 to 15.48% in 2010 (UNESCO, 2013, p. 24). High school graduation rates in 2013 were at 48% in Argentina, 50% in Brazil, 47% in Colombia and 36% in Mexico.⁷

As is often the case with disadvantaged populations, the issue of completing high school affects young poor people and those from rural areas in a more systematic way. On average in 2010, among the poorest quintile only 21.6% finished secondary education, while in the richest quintile this proportion was 78.3%. This gap of 56.6% was similar to that in 2000 at 57.3%, which shows that

⁷ Estimated figures by Gabriel Sanchez Zinny from the following sources: SITEAL/Sociometro IBD/ Unesco Institute of Statistics/Kuepa.

in terms of inequality in education at the secondary level there have been no major breakthroughs (Unesco, 2013, p. 89).

If at the secondary level there are many challenges ahead, the issue of learning achievements at both the primary and secondary level is still one to be dealt with. On average in Latin America, a third of primary school students and about half of secondary school students have not acquired basic reading skills. With regards to mathematics, the situation is quite worrying. Furthermore inequality in learning achievements is more evident among the poorest, people living in rural areas and among indigenous communities (Unesco, 2013, p. 26).

As for higher education, there was a rapid rise in enrollment rates in the first decade of the XXI century, accumulating an average growth rate of around 40%. This increase particularly benefited students from high-income backgrounds and those living in urban areas, which also maintains a pattern of inequality in higher education (UNESCO, 2013, p. 28).

Given Latin America's marked social and economic inequality, it is worth analyzing this in greater detail.

2.3. Social and economic inequality: a persistent problem in Latin America

Overcoming inequality has become the great challenge of the XXI century. Inequality, in addition to being morally unacceptable, limits economic development, hinders the ability of countries to reduce poverty, breaks societies and creates mistrust in public institutions. Today the challenge of overcoming inequality is at the center of international debate. In recent years, the Organization for Economic Co-operation and Development (OECD) published a report that shows the various dimensions of inequality and seeks to explain why this phenomenon continues to grow (OECD, 2011).

UNDP has suggested that while progress has been made in reducing poverty and reaching the Millennium Development Goals (MDGs) in the last decade, Latin America remains the most unequal region in the world. This is the main challenge for the future of the region's countries (UNDP, 2013). The last three reports by ECLAC put equality and social inclusion at the center of the debate over the development of Latin America (ECLAC, 2010, 2012a and 2014b). ECLAC's slogan, "equalize to grow and grow to equalize" goes back to the importance of the idea of equality with an emphasis on rights, a focus that has been excluded from development agendas, which have given priority to market solutions and reducing state government.

A recent 2014 report by Oxfam revealed that 85 people in the world have as much wealth as half of all humanity. The same study cites analysis by Thomas Piketty, giving figures for three Latin American countries. In Colombia, the richest 1% of the population accounts for 20% of the country's income, while in Argentina 17%. At 14%, Uruguay is the least unequal country in the region, according to recent data from the 2014 Oxfam report.

[...] the number of billionaires in Latin America increased from 111 in 2013 to 153 in 2014, making Latin America and the Caribbean the region with the highest growth rate of rich people in the world.

[...] differences in income distribution in the region continue to remain among the highest in the world, a reality that threatens to undermine and even reverse progress in fighting poverty over the past decade ... It is no coincidence that Latin America and the Caribbean is the most unequal in the world and also the most dangerous one. 41 of the 50 most dangerous cities are Latin American and between 2000 and 2010 one million murders (p. 2) were recorded (p.2).

Inequality is a phenomenon with many facets that are mutually reinforcing. There is inequality in income, and also in terms of capacity, access to power and political participation. There is a tendency in the region towards social segregation in ways that, in the past, have contributed in creating opportunities for greater equality and social integration, such as education, access to public goods and the coming together of people in public spaces. Territorial and school segregation is increasing, as is the private consumption of goods in relation to the consumption of public goods, which reinforces inequality.

Despite the cumulative decline in poverty in Latin America between 2002 and 2013, child poverty rates are still higher than among the population average and the poverty rate continues to be higher among women, rural populations and indigenous people. In addition, indigenous groups also face a lack of recognition of their collective identities, along with social and cultural discrimination in different contexts. Furthermore, those with more resources learn more, those with higher incomes are better nourished, and the upper social classes have better access to the internet and social media networks. In the absence of ways to promote inclusion and public policies to significantly counteract these trends, inequality tends to perpetuate, and in many cases, to increase (ECLAC, 2014a).

Shown below are some figures on inequality during the first decade of the XXI century in Latin America. The latest ECLAC figures show that in the region, the poorest quintile (i.e. 20% of households with the lowest incomes accounts for on average 5% of total revenues. There is variation between countries, ranging from less than 4% in countries such as Honduras, Paraguay and the Dominican Republic, to 10% in Uruguay. The richest quintile earns on average 47% of total

revenues, ranging from 35% in Uruguay to 55% in Brazil (ECLAC, 2013, p. 22).

To analyze recent changes in inequality rates in Argentina, Brazil, Colombia and Mexico, table 2 shows the share of households in total income among quintiles at both ends of the group – from I to V. As can be seen, the proportion of the poorest quintile in total income increased by more than one percentage point in Argentina and Brazil, and less than one percentage point in Mexico and Colombia. In turn, the relative share of the richest quintile fell by a little more than eleven percentage points in Argentina, seven points in Brazil and just three points in Colombia and Mexico. These differences can also be seen in table 3, which shows the changes in the Gini index in the same countries. According to these figures, it can be said that there is a trend towards progress in income distribution in the four countries but with significant differences in the rate of decline in income concentration, which is higher in Argentina and Brazil and lower in Colombia and Mexico. These improvements, even in cases of higher rates of decline, do not so far offset the accumulated history of inequality and exclusion as large differences remain in income distribution among these four countries

TABLE 2 Participation of households with total incomes, by poorest and richest quintiles, 2002-2012

| | 2002 poorest quintile (Q1) | | Richest quintile (QV)2012 | |
|-----------|----------------------------|-------|---------------------------|--------|
| | 2002 | 2012 | 2002 | 2012 |
| Argentina | 5,1 % | 6,9 % | 55,0 % | 43,6 % |
| Brazil | 3,4 % | 4,5 % | 62,3 % | 55,1 % |
| Colombia | 4,2 % | 4,6 % | 53,3 % | 49,8 % |
| Mexico | 5,9 % | 6,6 % | 49,1 % | 46,2 % |

SOURCE: ECLAC (2013, p. 19).

TABLE 3 Income concentration, measured by the Gini index

| | 2002 | 2012 |
|-----------|-------|-------|
| Argentina | 0,578 | 0,475 |
| Brazil | 0,639 | 0,567 |
| Colombia | 0,567 | 0,536 |
| Mexico | 0,514 | 0,492 |

SOURCE: ECLAC (2013, p. 19).

2.4. Inequality and mistrust of public institutions

Citizens in Latin America clearly perceive inequality and it is a matter of great concern. In 2007, the percentage of citizens who viewed income distribution as unfair or very unfair was over 78%, which is a fairly high percentage despite a decrease from 2002 when the figure was 87%. The percentage of citizens who said income distribution was fair or unfair was highest in Chile, the Dominican Republic, Colombia and Honduras (ECLAC, 2012a, p. 97).

As studies by ECLAC have shown, such perception of inequality and redistributive injustice comes with a strong distrust of political institutions and the State, with 60% of Latin Americans having little or no confidence in them in 2011 (ECLAC, 2012, p. 97). According to ECLAC,

[...] From 1997-2011, there was a strong correlation between distrust in political institutions and the State, and perceptions about distributive injustice. This is a symptom of a deep and persistent feeling of malaise among citizens about the way institutions work and how economic, social and political assets/ goods are distributed in countries. In turn, the link between inequality being objectively measured and discontent towards institutions can result in high levels of concentration of wealth and existing social differentiation in countries, which fuel a high number of social conflicts in the region. (Calderon, 2012, cited by ECLAC, 2012, p. 105).

The mistrust felt towards institutions is created by a perception of inequality coupled with little interest shown by educational institutions about educating young people in citizenship. The International Study of Civic and Citizenship Education, ICCS-2009 (Schulz, 2009 coordinated by the International Association for the Evaluation of Educational Achievement (IEA), examined civic knowledge acquired by students from five countries in the region, Mexico, Guatemala, the Dominican Republic, Colombia, Paraguay and Chile, and their views on public institutions, corruption, respect for the law and democracy. The results of this study show that over half of young people in these countries surveyed had not acquired basic civic education, did not know about the concept of participatory democracy, and a significant number of young people in the region tended to distrust public institutions and not value democracy (Unesco, 2013, pp. 26-27).

Another worrying finding in this study was to note that while young people in general rejected authoritarian governments, more than half said dictatorships were justified under certain circumstances. Also, under certain circumstances corrupt practices and disobeying the law was also justified. This was despite young people having positive views about their country and expressing the need to build more just, inclusive and democratic societies (UNESCO, 2013, p. 123).

In such a context of inequality and little civic education, it is no accident that there are countries where support for democracy is losing strength. Mexico is one of these cases. As already discussed, in Mexico poverty increased in the last decade and least progress in reducing inequality has been made when compared to Argentina, Brazil and Colombia. In 2013, Mexico, along with Honduras and Peru, were countries where people were most dissatisfied with democracy, in the region. On average from 1995 to 2013, the number of people who supported democracy in Mexico fell by 12 percentage points from 49% to 37% in 2013. This percentage is significantly lower than it was at the end of the 1990s and during the start of the transition years towards democracy (Latinobarómetro, 2013, p. 19).

In Colombia, 48% of citizens on average said they supported democracy between 1995 and 2013. In 2013, support for democracy was four percentage points above the average, lower than the figure Colombia recorded at the end of the 1990s (Latinobarómetro, 2013, p. 16). Argentina is a country in the region that has historically maintained a higher support for democracy, with an average of 68% of citizens supporting democracy between 1995 and 2013. Seventy three percent of Argentines in 2013 believed that democracy was preferable to any other form of government. This percentage was similar during the end of the 1990s (Latinobarómetro, 2013, p. 12). Brazil, which had one of the lowest rates of support for democracy in 2001 with 30%, has gained in the number of people who support democracy since 2006, reaching 49% in 2013 (Latinobarómetro, 2013, p. 14).

These issues of equality, democracy and the nature of confidence in public institutions are crucial to ensure sustainable and inclusive development in Latin America and these issues were of great importance to civil society organizations in the 1980s and 1990s. However, as will be discussed in other sections of this report, with international cooperation ebbing, and political and social democratization, demand for good governance and the strengthening of participatory public institutions has lost support. And PSI and philanthropy at the country level have not filled this vacuum.

3

COMPOSITION OF THE SECTOR

Legal structures

- The study about the “foundation sector” that was conducted is made up of entities with their own assets or those foundations with a constant flow of funding coming from the same source be it a company, a family, individuals and or a combination of the above.
- Entities that have their own endowments or assets and receive a constant flow of donations from the same source are known in Brazil as associations or foundations; in Colombia they are called associations, corporations and or foundations; in Argentina, civil associations or foundations, and in Mexico, civil associations, private assistance institutions; private benefit associations,, private benefit institutions, and civil society (CS).



The different types of foundations according to the associations

- The classification of foundations is done under two basic criteria. Firstly, it relates to the source of funding, and secondly to the way in which social investment is carried out.
- When classified according to the source of funding, the only two types of foundations that all the four associations share are the corporate and independent foundations.
- The category of family foundation is used by all of the associations apart from the GDFE.
- Colombia uses the category of **multi-corporate foundation**, referring to one that is made up of different companies and or businessmen and women.
- Classifying foundations according to the way in which they invest their funding is only used in Argentina and Mexico. The GDFE in Argentina uses a classification that distinguishes between operating foundations, non-operating and mixed foundations. Cemefi only uses the category of operating foundation. The AFE distinguishes between the first (operating foundation) and the second type (non-operating).
- In AFE's definition of a corporate foundation, "**funds are directly related to a company.**" The definition used by Cemefi, GIFE and GDFE puts forward the idea that companies participate in other aspects of a foundation like in its management and guidelines.
- Regarding family foundations, Cemefi describes them as a **variant of independent foundations**, as does the GDFE.
- GIFE and AFE do not link family foundations with independent ones, and they define family foundations as entities that are created, maintained and administered by members of a family.
- Regarding independent foundations, the GIFE, as well as the GDFE and AFE, say those who provide funding (be it individuals, families and businessmen and women) do not have control over a foundation, and it is managed and governed independently.
- About **community foundations**, Cemefi and GIFE share the view that these are determined by a geographical area, that they have various sources of funding, they mobilize local resources and are governed and managed by people from the community.

A shared vision

- The importance of corporate foundations stands out: making up 67% of all foundations in Brazil, 65% in Colombia, 33% in Mexico and 75% in Argentina.
- **Second most important are independent foundations** in Mexico and Brazil (11% and 9%), and in Colombia family foundations are the second most important type of foundation (25%, according to the AFE and 18%, according to a study by the DIS Foundation and Foundation Promigas).
- Community foundations are relatively important in **Mexico (11%)**. In Brazil they are less important (3%).
- **Multi-corporate foundations are an important group in Colombia** (making up 7% according to AFE's census) and 12% according to a study by the DIS Foundation and Promigas Foundation.

Corporate foundations, the most recent group in the foundation sector

- In Colombia, the majority of foundations were created by a company (55%) and were **founded after 2001**.
- In Mexico, corporate foundations were also created **recently, 71%** were founded from 2001 onwards.
- In Argentina, compared to Brazil, Colombia and Mexico, **foundations have been around a little longer**, 75% of the foundations in Argentina were created from 1991 onwards, and 25% from 2001 onwards.

Expected return

- In Colombia the main expected return for foundations created by a company is a return on reputation (80.9%). For foundations created by groups of companies, the development of the surrounding environment is the most valued expected return (63%).
- Among those foundations who do not expect any type of return, foundations created by groups of businessmen and women stand out (45%) and by families (44%). The oldest foundations are the ones that least expect a return.
- In **Mexico, 48%** of corporate foundations identified local sustainable development in an area of influence as the main expected type of return. The second most important type of return was a return on reputation (13%).

THE COMPOSITION OF THE SECTOR

3.1 Legal structures⁸

Before beginning, it is important to clarify the legal structure of this sector in different countries. While it sounds paradoxical, when referring to the foundation sector or those entities that form part of PSI, we are not talking about all entities that have been formed legally as foundations in these countries, nor does this sector include only those entities that have been legally constituted as foundations.

What is referred to here as foundation sector is a subsector of the non-profit legal entities that have different names in each country (foundations, associations, corporations, private welfare institutions, etc.) and include a key criterion: they have their own funding to maintain their operations, make donations or operate programs. These funds come from inheritances, endowment funds or permanent sources derived from the founders, be it a business, family or an individual.

In negative terms, the foundation sector does not include the subsector of non-profit organizations that permanently need to seek funding in order to survive and run their programs. These are known in English as grantseekers, but despite this in Latin America within this group are included a large number of entities legally constituted as foundations.

Among the four countries studied, the non-profit sector is made up of a wide range of entities from religious organizations, universities, schools, hospitals, cooperatives to associations and foundations. The sale of services to the public sector is their main source of funding / revenue for one group of these entities. For another group, private donations (from individuals, families, businesses or non-profits) are their main source of funding / revenue. According to the John Hopkins University's Comparative Nonprofit Sector Project in all the countries surveyed in the study non-profit entities are predominant, in which the main

⁸ This section was produced using material given by the teams of lawyers from the associations of foundations that participated in this study.

source of funding / revenue is the sale of services, followed by public funding as the second main source of funding.⁹ Donations account for a proportionately smaller source of funding. In Colombia, there is an equal proportion of public funds and donations.¹⁰

Among the group of entities where donations are the main source of funding, what is of interest is that these entities have their own endowment funds and they receive a steady flow of donations from the same source, be it from a business, a family, individuals or a combination of the above. That is to say, those entities with stable sources of funding use this to operate their programs or to make donations. Those entities belonging to this subsector are organized under different legal entities in the countries studied. In Brazil, they are known as associations or foundations,¹¹ in Colombia as associations, corporations or foundations,¹² in Argentina as civil associations or foundations, and in Mexico as civil associations (AC), private welfare institutions (IAP), private charitable associations (ABP), private charitable institutions (IBP) or civil societies (SC).¹³

As can be seen, not the whole foundation sector is made up of entities that are legally constituted as foundations, but there are other legal bodies that form part of this sector. Furthermore, in Mexico the word foundation is one that is included in the names and titles of entities but it does not have a legal meaning. This is also the case in Brazil with the word institutes, which are not legally constituted but are used in the names of various associations or foundations.

In countries like Colombia, Brazil and Argentina, which legally recognize foundations and associations as legal entities, the main difference between these two types of entities is that an association is made up of a group of people uniting around a specific aim, whereas a foundation is a set of assets intended for a particular purpose. A foundation is the allocation of an endowment for a purpose defined by the founder(s). In a foundation, it is the founders who provide the endowment and who define the social purpose of the entity, as well as

⁹ Payment of services, tariffs, fees, and other commercial revenue makes up 85% of income in the case of non-profit entities in Mexico, 74% in Brazil, 73% in Argentina and 70% in Colombia (Salamon et al., 1991, p. 25).

¹⁰ Public funding accounts for 9% of funding among non-profit entities in Mexico, 15% in Brazil, 20% in Argentina and 15% in Colombia. Donations account for 6% of funding for non-profit entities in Mexico, 11% in Brazil, 7% in Argentina and 15% in Colombia (Salamon et al., 1991, p.25)

¹¹ In Brazil, a large number of foundations and associations are called institutes, but an institute as such is not a legal entity but a term used by foundations or associations.

¹² In Colombia, corporations and associations are equivalent in legal terms.

¹³ In Mexico, there are also civil societies (SC). This is an intermediary type of society since its main purpose is economic but commercial speculation is not involved. In this type of entity, partners make a commitment to combine their resources and efforts in pursuit of a common aim, which is predominately economic in nature, but it does not involve commercial speculation.

how to manage it and its funding. In an association, members of the association provide the initial means with which to form an association, and they decide its goals and the way it is managed. An association can change its goals and it also can be closed down following a decision by its members. While in a foundation, the initial intention of a founder or founders is irreversible, and as such, how long it lasts is indefinite. As mentioned before, it is important to point out that just because founders contribute the initial funds to set up a foundation it does not mean they cannot use funding from third parties.

In Mexico, there are civil associations (AC), which are a type of legal entity similar to the associations described above. There are also welfare institutions (IA) that have different names, resulting from the laws that operate at the state level: private welfare institutions (PWI), private charity associations (PCA), and private charity institutes (PCI). These welfare institutions are non-profit entities that implement social welfare activities and they are monitored by a Welfare Committee or Private Charity under state law, which foments, supports, monitors, coordinates and advises private welfare entities. The committees are made up of government officials and representatives from state welfare institutions.

Private welfare associations, foundations and institutions are considered to be by their legal status entities with public aims, which are referred to in different ways in the four countries studied: public interest, social interest, public good or common use. An entity of public interest, which results from its legal status, is the basis upon which these entities have a differentiated tax treatment compared to non-profit companies.¹⁴ In some countries, like Mexico and Brazil, in addition to having differential tax treatment, a group of them can also receive special titles, certificates or qualifications from the State in order to obtain special treatment in legal and fiscal terms, in the way they are monitored or receive support for funding and state incentives.

In Brazil, civil society organizations (OSC) have the possibility of accessing four types of certificates: 1) Civil Society Organization of Public Interest (OSCIP) 2) Social Welfare Charity Entity Certificate (Cebas) 3) Federal Public Utility (UPF) and 4) Social Organizations (OS). The OSCIP certificate is for those civil society organizations that fulfill certain requisites (for example, adapting statutes so that how organizations are governed corresponds with the law). As such, this allows civil society organizations to participate under a special legal structure called “el Termo de Parceria” in order to carry out projects with the Government. The UPF

¹⁴ This study does not involve a comparative analysis on subject areas or tax ceilings to do with tax codes under which donors can make tax-deductible donations. The study also does not include a comparative analysis of the tax exemptions that non-profit entities are entitled to. A good comparative analysis about these issues is found in Irrarázabal and Guzmán, 2005)

certificate allows civil society organizations to be recognized as social welfare entities in the fields of education and health. Those civil society organizations that have this certificate are exempt from making social security contributions. Social Organizations (OS) are non-profit entities that can have a relationship with government authorities in areas like training, scientific research, technology development, environmental protection, culture and health. Organizations granted this title can manage public facilities in order to carry out their activities by way of a management contract.

In Mexico, a federal registry assigns organizations a unique registration password (Cluni), giving an organization the right to receive support and incentives from federal entities. Lastly, there is a process through which civil society organizations can be considered as authorized donors. After complying with a series of obligations (for example, providing documents that provide proof of the activities or social goals of the organization) civil society organizations are awarded the status of an authorized donor by Mexico's Tax Administration Service (SAT), allowing them to submit donation receipts so that donors can get tax breaks.

As one can see from this brief summary, the foundation sector in the countries examined in this study have a diverse composition, are governed by different types of legislation and tax treatment. How these diverse entities are classified by the associations of foundations will now be analyzed.

3.2 Definitions given by the associations of foundations of the different types of foundations that exist.

Each of the associations of foundations in the region have their own systems of classifying different types of foundations in their particular country. Even though there are various similarities between classification systems, there are also differences between them.

Types of foundations. Foundations are classified under two basic criteria: The first relates to the source of funding, and the second in the way a social investment is made. As can be seen in table 4, the first criteria is used by all the associations, the second is only used by Cemefi in Mexico and by the GDFE in Argentina.

With regards to the typology of foundations organized according to the source of founding, the only two types of foundations that the four associations share are corporate and independent types of foundations. The family foundation category is used by all associations apart from the GDFE. This is because the GDFE subdivides independent foundations into independent foundations with

family inheritance, business inheritance and those with investment funds. As such, the other associations called family foundations are found in Argentina and are included as part of independent foundations. It is important to note that although Cemefi has a category for family foundations, it regards this type of association as a version of an independent association. The community foundation category is only found in the classifications used by Cemefi and GIFE. Colombia has a type of foundation, called multi-corporate, which is similar to the concept of corporate community foundations, something that Cemefi also has, since in both cases such foundations are created and financed by a group of diverse companies. The intermediary foundation is only found in Cemefi's classification system and it refers to those foundations that have been established to manage funds that come from public and private entities.

Only in Argentina and Mexico are foundations classified according to the way they invest their funding. The GDFE in Argentina has a category that differentiates between operating and non-operating foundations and mixed foundations. Cemefi only has in its classifying systems operating foundations, and in addition it combines both criteria (operating and non-operating). The GDFE separates these two types of foundations – operating and non-operating – which in our view is the correct way because corporate, independent, family and community foundations can be operating foundations, donors/ grantmakers or mixed (operating and non-operating), and as such these two criteria should not be mixed together in one classification.

TABLE 4 Types of foundations in the classification systems used by the associations of foundations

| Country/Type of Foundation | Cemefi Mexico | GIFE Brazil | AFE Colombia | GDFE Argentina |
|--|---------------|-------------|--------------|----------------|
| Classification according to sources of funding | | | | |
| Corporate | X | X | X | X |
| Independent | X | X | X | X |
| Family | X | X | X | |
| Community | X | X | | |
| Business /corporate communities | X | | | |
| Multi-corporate | | | X | |
| Intermediary | X | | | |
| Classification according to the way funding is invested | | | | |
| Operating | X | | | X |
| Non-operating | | | | X |
| Mixed | | | | X |

SOURCES: Cemefi (2010, pp. 11-13), GIFE (2013, p. 17), AFE (2014, p. 3), GDFE (2004, p. 8).

Definitions of the different types of foundations. In general, it can be said that the associations of foundations share the same features in their definitions though what it is emphasized varies. For example, the definition of a corporate foundation as defined by the AFE, which has been adopted by the Foundation Centre, is “funds that are directly related to a company”. While in the definition used by both Cemefi, GIFE and GDFE, it suggests that in addition to the origin of funds, companies participate in other ways in a foundation, such as how it is managed, governed and its guidelines.

With regards to family foundations, as has already been mentioned, even though Cemefi regards them as a type of foundation, it describes family foundations as a version of independent foundations, as does GDFE. Both the GIFE and AFE do not link family foundations with independent ones and they define family foundations as entities created, maintained and run by family members.

With regards to independent foundations, the GIFE, like the GDFE and AFE, emphasize the independent nature of these foundations. They say that those people who contribute funding (be it individuals, families or businessmen and women) do not have control over the foundation, its management and it is governed independently from them.

With regards to community foundations, Cemefi and GIFE share the idea that its definition is based on a geographical area and that community foundations have various sources of funding, mobilize local funds and are governed and managed by people from the community in the areas they develop their programs. Comunalia, a partnership of community foundations in Mexico, also has these characteristics in its definition of community foundations. But it also adds to these foundations the role of exercising leadership in a community, of being a source of reliable information, and in general, community foundations do not run programs, and they offer donors a wide range of social investment opportunities and flexible services adapted to their interests.¹⁵

3.3 A comparative view of the composition of the sector

None of the countries in this study have a complete map of the sector that show the number and characteristics according to the type of foundation. There are some sources that give an approximate description of how the sector is made up. Below are the GIFE and AFE censuses, which were both conducted using a large number of their members, 100 members in the case of the GIFE and 61 members from AFE. In Argentina, a study carried out by the GDFE, with the Argentine Network for International Cooperation (FACI),

¹⁵ See <http://www.comunalia.org.mx/>

includes a sample of 426 donor entities, of which 65 are foundations and 361 are corporations / companies. But in this study, no difference is made between the types of foundations. In Mexico, there are directories of foundations produced by Cemefi, one about philanthropic institutions and the other directory lists donor entities. In the latter directory, even though it does not include all of the donor entities, it has a wide sample (144 foundations and 26 corporate programs), which Cemefi has classified according to its typology of foundations. Cemefi's directory of philanthropic institutions includes a larger sample but it is limited because entities have classified themselves, something that is not always done in an objective way. As such, this directory does not clearly reflect the composition of the sector.

Along with these sources from the associations of foundations, there are some studies about specific types of foundations, including one from Colombia and another in Mexico about corporate foundations. The Colombian study uses a broad definition for corporate foundations as it regards them to be “organizations of public benefit, non-for-profit, and are created, guided, controlled and financed by companies, groups of companies, groups of businessmen and women or family businesses, which are formally and legally separated from the founding or sponsor company” (Foundation DIS y Promigar: 2012, p.17). In the Mexican study, the definition of corporate foundations is more limited:

[...] corporate foundations are understood to be private non-profit organizations set up by a company targeted towards the public good, which are established by a company, are constituted as independent legal entities but that have close strategic and financial ties with the company that created the foundation and how it is governed. (Villar, Butcher, Gandini y Sordo, 2014, p. 34).

In other words, the definition of corporate foundations as used in the Mexican study, limits such foundations as those created, guided, controlled and financed by a single company or business group. While in the Colombian study, the definition not only includes foundations created by one company or a business groups, but those created by a groups of companies, groups of businessmen and women or family companies. For comparative purposes, the foundations in the Colombian study have been reclassified into corporate, multi-corporate, family and independent foundations, using AFE's typology.

Bearing in mind the need to be cautious regarding the limitations of the sources mentioned before, in table 5 we can see a comparison in terms of percentages and the number of foundations according to their type.¹⁶ What stands

¹⁶ The percentage figures in the cases of Mexico and Brazil were calculated based on the total number of foundations as listed in Cemefi's directory and the GIFE Census. In both of these sources, companies that have direct social investment programs are also included (26 in Cemefi's directory and 13 in GIFE's census). Not including

out first is the importance corporate foundations have over the other types of foundations, which account for 67% of foundations in Brazil, 65% in Colombia and 33% in Mexico. In Argentina, studies by GDFE and RACI have not classified corporate foundations separately. However, estimates from GDFE's director show that there are a total of 65 foundations identified in the study, of which 75% are corporate foundations.¹⁷

Of secondary importance are independent foundations in Mexico and Brazil (11% and 9% respectively). In Colombia family foundations account for 25% of all types of foundations according to the AFE, and 18% according to a study by the DIS Foundation and Promigas. The percentage of independent foundations is less in Colombia (3%). Operating foundations are important as shown in Cemefi's classification (15%). Community foundations are relatively important in Mexico (11%). In Brazil, community foundations have little importance (3%) and in Colombia and Argentina, community foundation is not used as a category. The number of multi-corporate foundations is high (7% according to the AFE's census, and 12% according to a study by the DIS Foundation and Promigas Foundation).

Only for Brazil is there comparative data about how the sector has changed between 2009-2010 and 2011-2012. As can be seen in table 6, although the relative importance of each type of these foundations remains the same, it is interesting to observe a decline from one period to another regarding the importance corporate foundations have, falling from 82% to 67%, a rise in the importance of independent foundations from 10% to 21%, and family foundations from 4% to 9%. Currently in Brazil, the GIFE is working towards having a better balance between the different types of foundations in terms of their importance, something that appears to have started to yield results from 2011 onwards.

There is not much information about the importance of each type of foundation based on their budget and amount of investment. However, data in GIFE's census shows there are some differences in terms of the budget of independent, family and community foundations in relation to corporate foundations. In the R\$ 2 to 8 million budget category, corporate foundations dominate and are 40 percent

the companies, it is possible to see the specific composition of the foundation sector and the percentage figures in relation to the total number of all the foundations. Another point to take into account when estimating the composition of the sector, without including the number of companies, is that in both Mexico and Brazil, those companies with direct social investment programs are significantly more than shown in Cemefi's directory and the GIFE census. This will be discussed in the next section.

¹⁷ In Mexico, the percentage of corporate foundations is very likely to be higher because in a recent study carried out by CIESC in partnership with Cemefi, 131 corporate foundations were identified, while in Cemefi's directory, from which information was taken to calculate the percentage figures, there are only 47 corporate foundations listed (Villar, Butcher, Gandini and Sordo, 2014, p.54). In Colombia, according to the DIS Foundation and Foundation Promiga, the percentage of corporate foundations could be lower but they still make up a majority (54%). (Foundation DIS and Foundation Promigas: 2012, p.25).

more than independent, family and community foundations, which account for 17% of all types of foundations in that budget category. In the R\$ 500 mil to R\$2 million, R \$20 to 50 million, R \$50 to 100 million, budget categories, there are a greater number of non-corporate foundations. In terms of the category with the highest budget, more than R\$ 100 million, there is a slightly higher proportion of corporate foundations under that category 5% vs. 3% (see GIFE, 2013, p. 30).

TABLE 5 Composition of the sector by type of foundation

| | Mexico | Brazil | Colombia | Argentina |
|-----------------|--------|--------|----------|-----------|
| Corporate | 33 % | 67% | 64 % | 75 % |
| Family | 11 % | 9 % | 25 % | |
| Independent | 16 % | 21 % | 5 % | |
| Community | 11 % | 3 % | | |
| Intermediary | 10 % | | | |
| International | 4 % | | | |
| Operating | 15 % | | | |
| Multi-corporate | | | 4 % | |

SOURCES: Cemefi (2010, pp. 1, 15); Comunalia (2015, <http://www.comunalia.org.mx/fs.php>); Villar, Butcher, Gandini and Sordo (2014, p. 54); GIFE (2013, p. 16); DIS Foundation and Promigás (2102, p. 25); AFE (2014, p. 4); GDFE and RACI (2012, p. 13).

The case of Mexico is interesting because despite having the highest number of corporate foundations, up the sector in the country, these are not the main donors in the sector. In Mexico, among the top 10 main foundations that give donations / grants, there are only two corporate foundations and among the top 20, there are only 6 corporate foundations. The main donor foundations in Mexico are family and independent foundations.¹⁸

3.4. The characteristics of the various types of foundations.

“There are more differences than similarities in the many forms of private social investment in Brazil,” states GIFE secretary general, Andre Degenszajn, during a presentation of a recent report about independent social investment for the strengthening and autonomy of civil society organizations (GIFE, 2014, p. 6). This assertion is perhaps true for the different types of PSI in Latin America but little is known about these differences. There is some research about corporate foundations in Colombia and Mexico. But no research has been carried out about

¹⁸ Information produced by Cemefi, taken from the transparency website of Mexico’s Tax Administration Service (SAT)

the other types of foundation, which allows one to compare the characteristics between the different types of foundations – corporate, family, independent and community - and their models of intervention, amount of investment, and ways of carrying out PSI.

Despite a lack of comparative research about the different forms of PSI in Latin America, there is some data in GIFE's census that compares corporate foundations and institutes (CFI), and family, independent and community foundations and associations (FIC) (GIFE, 2013). There is also information from a study about corporate foundations in Colombia (DIS Foundation and Promigas Foundation, 2012). This study includes information about four types of foundations: 1) those created by a company, 2) foundations created by a family company, 3) those created by a group of companies and 4) those created by a group of businessmen and women. GIFE's recent study, which was referred to earlier in this section, raises very important points for consideration about independent funds and their differences with the corporate foundations.

The section below looks at some differences taken from the above sources, before going into a little more detail about corporate foundations and the direct social investment carried out by companies.

TABLE 6 A comparison of the sector's composition in Brazil in two time periods

| Type of foundation | Percentage | |
|--------------------|------------|------------|
| | 2009/2010 | 2011/2012 |
| Corporate | 82 | 67 |
| Independent | 10 | 21 |
| Family | 4 | 9 |
| Community | 4 | 3 |
| Total | 100 | 100 |

SOURCE: GIFE 2011-2012 and 2009-2010 censuses.

3.4.1 Corporate foundations – the most recent group in the foundation sector

In Mexico, Colombia and Brazil, corporate foundations were established more recently than in comparison to other types of foundations. In Brazil, corporate foundations were set up in the last 10 years, with 47% of them being CFIs and 38% FICs. Of the foundations that have existed for more than 31 years or more, 24 percent are FICs and 17% are CFIs (GIFE, 2013, p. 17). In Colombia, most of the foundations created by a company (55%) were set up from 2001 onwards. These figures are considerably lower for other types of foundations: those created by family businesses (25%), groups of businesses (18%), groups of businessmen and

women (9.1)%. In contrast, before 1980, family businesses had already created 44% of the foundations, groups of businesses had created 27% of the foundations, groups of businessmen and women 45%, and companies just 6% of the foundations (DIS Foundation and Promigas Foundation, 2012, p. 25). In Mexico, corporate foundations are also one that have been established recently, and are the most recent type of foundation to be set up in Latin America, of which 71% were created from 2001 onwards (Villar, Butcher, Gandini and Sordo, 2014, p. 58). There is no information, though, to compare the profile of such corporate foundations with other types of foundations.

The reasons why corporate foundations are a recent phenomenon is explained in a Colombian study on the subject in the following way:

A few decades ago, foundations were largely and directly created by businessmen and women and by families with a long-standing entrepreneurial tradition. These days foundations tend to be established more by companies. These trends are linked to several factors: one of them, and perhaps the most important one, is that corporate organizations have come increasingly *bureaucratized and institutionalized*, and because of the relative decline of the importance of the individual businessman and women due to property structures (DIS Foundation and Promigas Foundation, 2012. p.24).

The other factors mentioned in the report to explain this change are the growing presence of multinationals in Colombia, the progress of the CSR movement, and the creation of specialized instruments for social investment.

In Argentina, unlike Brazil, Colombia and Mexico, corporate foundations have been around for a slightly longer time. There is no study on corporate foundations in Argentina that allows one to establish their relative importance in terms of how long they have existed. But it appears that based on existing studies, the majority of corporate foundations in Argentina were founded at the end of the XX century. Information from a report by the GDFE and RACI shows that 75 percent of the foundations were created from 1991 onwards and 25% from 2001 (GDFE and RACI, 2012, p.16). Although the sample used in the study is not limited to corporate foundations, which make-up 75%, it can be said that the majority of corporate foundations were created before 2000. Another previous study about donor foundations from GDFE backs up this trend, and places the 1990s as the decade during which the greatest number of foundations was created. According to the study, 34% of foundations were created between 1990-1999. (GDFE, 2004, p. 15)¹⁹

¹⁹ For Venezuela and Argentina, studies show that the 1990s were a boom period for the creation of corporate foundations (Mendez, 2008, pp.103-118).

3.4.2. The strategic focus of various types of foundations

The strategic focus of foundations is very varied and it is impossible to generalize. However, data from a Colombian study gives some information that raises points for consideration; like that foundations created by a company mostly originated or aligned over time with the company's strategy on social responsibility. The main reason why a group of companies (multi-corporate foundations) create foundations is to develop a particular cause or one in a specific geographical area. In the case of foundations created by a family or groups of businessmen and women, the development of a particular issue is what stands out (Fundation DIS and Fundación Promigas, 2012, pp. 42-43).

3.4.3 Expected return according to the types of foundations

An analysis of the expected return is another element that shows interesting differences according to the type of foundation. On average for all foundations in the Colombian study, the main expected return is a gain in reputation (58% of foundations expected it). However, there are big differences when this return is analyzed according to the type of foundation. For those foundations created by a company, the main expected return is also a return on reputation (80.9%),²⁰ while for the other groups of foundations the percentage expecting this return is much lower. Among those foundations created by groups of companies, the percentage expecting a return on reputation is 45%, for those created by groups of businessmen and women (27%) and for those created by a family business (25%). Developing the surrounding environment is more valued by those foundations established by groups of companies (63%), as well as those created by family businesses (31%). For those foundations created by groups of businessmen and women, the percentage expecting a return on reputation is the same as for those expecting a return based on developing the surrounding environment (DIS Promigas Foundation and Foundation, 2012, p. 39).

Among those foundations that do not expect any kind of return, those created by groups of businessmen and women stand out (45%), as do those founded by families (44%). By contrast, a low percentage of foundations created by a company (2%) or by a group of companies (9%) have no expectations of return. (DIS Foundation and Fundación Promigas, 2012, p.39). It is also worth highlighting that the oldest foundations are the ones that expect the least return, which shows that a company's expectation of return is a relatively new trend. As will be seen later, this trend has those who defend it but also those that criticize it.

²⁰ In addition to a return on reputation, corporate foundations also seek other returns, such as a return on development, but according to the results of the study, a return on reputation takes precedence.

In a study on corporate foundations in Mexico, the local sustainable development of an area of influence (similar to the concept of developing the surrounding environment in Colombia) was one of the main expected returns, along with a return on reputation. However in Colombia this trend appears in reverse order. 48% of Mexican corporate foundations identified local sustainable development of an area of influence as the main expected return, followed by a return on reputation being the second most important (13%). (Villar, Butcher, Gandini and Sordo, 2014, p. 57).

3.4.4 Governance according to the types of foundations

A governing structure that has independent members in it generates better quality and allows foundations to be more autonomous. Indeed, in the Best Governance Practices Guide for Corporate Foundations produced by the Brazilian Institute of Corporate Governance and GIFE (2014), it recommends that board directors rely on independent advisors in addition to those working at the company. These advisors are defined as those who have no links with the company or with its partners, who are not current directors or employees of the company, have not been paid by the company, or are not relatives of the directors or any director or manager (pp. 45-46). However, as can be seen in table 7, such a practice is not that common among corporate foundations in Latin America, in a region where the percentage of foundations with external or independent members on their governing boards is quite low. This limits having other views different to those existing in the company during decision-making. For other types of foundations (family, independent and community ones in Brazil and those created by families, groups of businessmen and women and companies, as is the case in Colombia) the proportion of those foundations that do not have external advisors on their executive boards is much lower, which reflects a greater interest in having independent voices.

TABLE 7 Percentage of foundations without external members on their executive boards

| | Brazil | Colombia | Mexico |
|----------------------------|------------|--|--------|
| Corporate foundations | 53 % | 62,5 % | 74 % |
| Other types of foundations | 10 % (FIC) | 85 (created by family businesses) 75 % (created by groups of businessmen and women) 33.4 % (independent foundations) | |

SOURCE: data on Brazil, from GIFE's census (2013, p. 17). Data on Colombia, from a study by the DIS Foundation and Promigas Foundation, 2012, p. 25). Data on Mexico, from a study by Villar, Butcher, Gandini and Sordo (2014, p. 120).

3.4.5. Independent Social Investment (ISI): a recent Brazilian concept

Brazil has proposed a new category within the world of PSI: independent social investment (ISI). Its promotion is part of the GIFE's Private Social Investment Vision for 2020. This seeks to expand the diversity of PSI in the coming years, given the current concentration of social investment in corporate foundations and companies. ISI has three overriding features: its independent profile, using donations as its key investment strategy, and a focus in the field of defending human rights (Degenszajn quoted by GIFE, 2014, p.8).

According to GIFE's study on ISI, this type of investment is non-governmental and non-corporate and its focus is on strengthening civil society.

Independent social investment (ISI) is a generic term used for a broad and diverse field of institutions and funds, non-governmental and non-corporate ones, which promote technical and financial support for civil society organizations. Here they are seen as independent social investors like independent funds, community foundations, fund management institutions and family foundations [...]. In the field of ISI is thought of here as a subsystem of institutions and civil society funds within the institutional architecture of support given to civil society organizations in Brazil [...] and it supports grassroots organizations to play a leading, autonomous and social role. (GIFE, 2014, pp. 12-14).

Progress in the quality of democracy and the strengthening of civil society needs institutions and independent ways of carrying out PSI for all the following reasons:

[...] it is important to set up a sector focused on strengthening the ability of society to renovate itself; and a group of institutions, systems and processes that together can form a complex and diverse institutional ecosystem that can foster organizations and initiatives that promote and defend rights in a society. (GIFE, 2014, p. 41).

Supporting the development of ISI is therefore essential. Also part of this strategy suggests establishing dialogue and a coming together of ISI and corporate PSI in order to establish shared strategic paths (GIFE, 2014, p. 184).

3.4.6 The particular features of community foundations

Community foundations, one of the sectors classified by GIFE as part of ISI, are a relatively new group of foundations in both Mexico and Brazil. With significant support from Cemifi, community foundations started to emerge in Mexico in the 1990s and in Brazil from the 21st century. The number of community foundations is relatively low (24 in Mexico and 3 in Brazil). In Mexico, an initiative that involved a joint effort started in 2009 and it was given a formal

status in 2011 with the creation of Comunalía, a partnership of community foundations that currently has 18 members.

Comunalía suggests various basic features that a community foundation should have and some desirable features of members of the network.²¹ Among the key features are:

- » *Demarcation of boundaries.* A community foundation operates in a given geographical area.
- » *Autonomy.* It is governed by its own rules and governing bodies, and is not linked to political parties and religious groups.
- » *Governance.* It has a formal government body with a diverse structure.
- » *Donations.* It awards grants / donations to civil society organizations and grassroots groups, or is in the process of awarding grants / donations.
- » *Mobilizing resources.* It receives local funding.
- » *Transparency and accountability.* It has formal mechanisms for transparency and accountability.
- » *Create development.* It invests in projects focused on integrated community development.

Among the desirable features, Comunalía suggests:

- » *Local leadership.* A community foundation is looking to take on a leadership role in their community on issues that concern communities.
- » *Endowment fund.* It has an endowment fund or is in the process of creating one.
- » *Donor services.* It provides services to donors.

Along the same lines as Comunalía's proposal, GIFE report on ISI suggests that the main feature of a community foundation is to have a geographic focus for its work and that its overall objective is to mobilize local and external funding to strengthen actors and processes in the communities in which they operate in. As such, community foundations offer capacity building, ways of coordinating, the training of local leaders and they generate greater trust among local actors (GIFE, 2014, p. 27).

Community foundations are crucial for the development of community philanthropy, a field that is growing in Latin America. As discussed below, other types of foundations also contribute to the development of community philanthropy. For example, in 2002 the corporate foundations created a network, RedEAmérica, which today has 80 members across 11 countries in the region. The network's mission is to promote sustainable communities based on focusing on

²¹ Taken from <http://www.comunalia.org.mx/fs.php>

grassroots development. In Mexico, an initiative was recently set up to promote community philanthropy. On its committee is Comunalía, along with AC Solidarity Action Fund (Fasol), the Mexican Society for Women's Rights, Semillas / Seeds AC, the Tichi Muñoz AC Foundation, the Oaxaca AC Community Foundation, Delta Factor and the ADO AC Foundation. The aim of this network is to create “a common agenda to support community development and socio-environmental justice among grassroots groups”. To do this, the network aims to work on the importance of community philanthropy in Mexico, review and update the available data on local donor institutions that support grassroots development and socio-environmental justice, and analyze the challenges and opportunities in this field (Carrasco, Cordourier and Cordourier, 2014, p. 3).

3.5 The concept of PSI and difficulties in quantifying it (T3)

How to quantify PSI is a complex issue, not only due to the lack of information available, but as it has already been seen, it is difficult to identify what counts and what does not count as PSI. The concept of PSI is not limited to a type of foundation. PSI of corporate foundations is talked about but also that of family, independent and community foundations and so to quantify it means including all types of foundations. Furthermore, if the definition of PSI, which we analyzed in the first section is used, we can summarize that what makes PSI different from philanthropy is that it is strategic, results-oriented, and takes a long-term approach. But these definitions create a big challenge in terms of quantifying PSI because of the following question How does a country record the flow of funds that have such characteristics and then differentiate them with funds provided by foundations that are not strategic, or are short-term?

One additional difficulty when quantifying private social investment is that it not only refers to the donations that foundations make, but it also refers to the support or technical assistance foundations give to organizations, and to capacity building programs run by teams of the foundations. Given this variety of services that come under the umbrella of PSI, the following questions arise - How do you decide what counts and what does not count as PSI as part of a foundation's budget? How can information from the group of foundations be added in about PSI? One way to solve this would be to match PSI spending to the total budget amount. But for some people, administrative costs should not be included in the PSI budget even though this is key for it to operate well.

In addition to these difficulties, information about the amount of money involved in PSI and philanthropy is very limited. The only general information available comes from the GIFE census, a BISC study in Brazil and the Tax Administration Service (SAT) in Mexico. Argentina and Colombia still do not have

the aggregate amount of social investment made or amounts about donations. However in the GIFE census, the budgets of its members are included. This means there is very important data available from a representative sample in a particular country but not from the entire world of foundations or PSI. The BISC study, as will be discussed below, surveys the aggregate budgets of 224 companies in 2012 and 308 among the countries that participated in the study. This is important data but as is the case with the GIFE census, this does not represent the entire foundation and PSI world. In other words, these figures underestimate or are below the total amount of social investment in Brazil.

In the case of Mexico, there is an aggregate figure for the amount of donations given by corporate foundations and another figure for the total amount of donations from foundations in the country. In both cases, these figures have been gathered from Mexico's Tax Administration Service (SAT), to which foundations report their financial donations as part of a process carried out by authorized donors. These figures give a complete picture about the amount institutions are donating but they do not show the other ways foundations are involved in social investment. For example, the value of support, consultancy services, etc., provided by teams in the foundations as these services are not reported as donations.

The Donor Index, an initiative produced by the Avina Foundation and the Inter-American Development Bank (IDB), is an important effort that gives information about donors in the region. It is very useful for learning about the objectives and amount of donations given by particular entities registered in the index but not for aggregations because the number of organizations registered in the index is very low (801 donor organizations that also includes data on development agencies, civil society organizations, private donors and corporate donors. (<http://www.indicedonantes.org/>)

Taking into account such data limitations, and knowing that one has to be cautious when making comparisons, in Brazil the total amount spent on PSI among GIFE members rose to R\$ 2.2 billion in 2012, equivalent to US\$ 961,538,461 (GIFE, 2013, p.15). According to BISC, companies spent R\$ 2.5 billion in 2012, equivalent to US\$ 1,201,923,076 (Comunitas, 2013, p. 11)²², falling to R\$ 2 billion in 2013 (Comunitas, 2014, p.8).

In Mexico, the total amount of donations reported to SAT as received by national and foreign entities in monetary terms or in-kind was Mex\$ 33,111.735.701, equivalent to US\$ 2,529,533.362. It is important to emphasize that these are donations and are not part of the budget as is the case in Brazil. The amount of

²² The exchange rate used for Brazil US\$ 1 =R\$2,08.

received donations from national entities totaled Mex\$ 25.285'156.835, equivalent to US\$ 1.931'639.178 (Mexico's Ministry of Finance and Public Credit, 2015).

A big part of the donations awarded by authorized donors are used for the operation of foundations or to set up endowment funds and are not donated to SCCs. For this reason, the amount of donations given by authorized donors, and also the total amount of donations given by the group of corporate foundations in Mexico, are shown below. These figures were from 2012 and are from the study about Mexican corporate foundations.²³

In 2012, the total amount of donations granted by authorized donors in Mexico was Mex \$ 7.748'610.370, equivalent to US\$ 596,046,951. With regards to corporate foundations, donations amounted to Mex\$ 2.697'883.963, equivalent to US\$ 207'529.536 in 2012. This means that these donations accounted for 35% of donations that were handed over by authorized donors (Villar, Butcher, Gandini and Sordo, 2014, pp.54.55)²⁴

As can be derived from the above figures, it would be very useful in the future to have a standardized reporting system on the amount spent in PSI and philanthropy in order to make comparisons within and between countries.

²³ The exchange rate used for Mexico in 2012, US\$ 1 = \$13 MXN. In 2013, US\$ 1 = \$13,09 MXN.

²⁴ The aggregate amount of donations from corporate foundations in Mexico in 2012 has to be analyzed with caution, as donations from the Dr. Simi Foundation in 2012 were atypical. What was donated by the Dr. Simi Foundation in 2012 is 8.25 times more than the average it donated between 2007 and 2011, and the amount donated in 2012 accounted for 54% of the total of all donations given by corporate foundations. It is important to note that 2012 was an election year in Mexico, and perhaps the increase in donations from the Dr. Simi Foundation is linked to this. As this causes a strong bias in the figures, in the study on corporate foundation an average annual estimate based on the last four years using data from the Dr. Simi Foundation was calculated, and based on this, the total amount of donations given by corporate foundations was calculated. With this new estimate, the total amount of donations given by these foundations would be \$ 1.271, 062.591, equivalent to US\$ 97,774.045 and 16.4% of the total amount of donations came from authorized donors. (Villar, R; Butcher, J; Gandini, L and Sordo, S. 2014 : 54-55).

4 THE GROWTH OF CORPORATE PSI

Corporate foundations grow

- **Corporate foundations dominate over all the other types of foundations** in all the countries analyzed.
- In Mexico, **71%** of corporate foundations were created this century; in Colombia a little more than half (55%) and in Brazil, a little less than half (47%).

Foundations align with companies



- In the region, there is a dynamic process of alignment between foundations and companies, in which corporate foundations that are totally and or partially aligned significantly outweigh those that are not aligned with a company.
- In Colombia, 37.5% of foundations were not created as an instrument of Corporate Social Responsibility (CSR). But in 2012, more than half (57.6%) were part of a CSR strategy.
- In Mexico, 58% of foundations were **created as an instrument of CSR**. Today the percentage are foundations that are instruments of CSR is considerably higher (81%).
- **In Brazil, 63%** of corporate foundations are partially or totally aligned with companies, while 32% of foundations have no projects linked to a company's business activities.

The implications of corporate dominance

- One problem identified in the interviews is the **imbalance that can come about in the alignment and the return**, when private interests are prioritized over public ones.
- Regarding shared value, it was mentioned that in many cases it is hoped that the return is for a particular and individual company carrying out PSI, and that it does not involve having greater scale.
- Those interviewed suggested that foundations should be thinking about major issues like (institutionality, democracy and transparency) that can bring return on a greater scale.

Market solutions

- The idea that **market mechanisms can play a key role in the solutions of social problems** is starting to be part of the agenda in the region.
- A new philanthropy, with an emphasis in social entrepreneurship, seeks not only a social return but a financial one.
- "Social businesses are companies that have redefined their purpose by using innovative market mechanisms to solve social and environmental problems."
- "Every effective solution for global poverty needs to bring together three characteristics: **it needs to have scale, it needs to be permanent and it needs to be efficient and effective.**"

PSI in companies grows

- Social demands made on companies and the way CSR is increasingly understood in a more active and integral way each day, are the main reasons why **companies are becoming more directly involved in PSI programs.**
- In terms of PSI as a percentage of gross profits, Brazilian companies have now overtaken their counterparts in the United States.
- A study about corporate foundations in Mexico shows that **53% of companies, in addition to transferring funds to a foundation, also directly carry out social investments.**
- In **Argentina, 75%** of foundations have companies as their only source of funds.
- In Colombia, only **31% of foundations are financed exclusively with funding from a company**, with the remainder coming from a range of sources of finance.

The challenge of diversity

Various strategies are being proposed in Brazil and in other countries to expand the diversity of PSI:

- Promoting and strengthening family independent and community foundations so that they have more freedom than corporate foundations do to structure their programs.
- The development of independent funds or foundations having their own funds, in order to target donations towards CSOs.
- Strengthening social businesses.
- Community philanthropy, which is growing in the region.
- Developing mechanisms like crowdfunding or micro-donations from individuals.

Priority themes in the PSI agenda

- With the exception of Mexico, education is the priority issue in the foundation sector.
- In Mexico, the main priority area is **human services (55%), education comes second (52%)**.
- **90%** of Brazilian companies in the BISC group (Benchmarking do Investimento Social Corporativo) invest in education; in Argentina, 70% do.
- **After education, the issues of community development and economic development** have an important place on the PSI agenda.
- In Mexico, **few corporate foundations are involved in community development and economic issues.** In Argentina, only 9% of corporate foundations have programs relating to the economy.
- The **second most important theme in Argentina is culture, with 46%** of foundations having programs in this area, similar to Brazil at 53%, and higher than Colombia (20%) and Mexico (19%).
- Some issues stand out for being considered of little importance in PSI, above all human rights.
- **In Colombia, 25%** of foundations have programs in this category that include human rights, peace and overcoming the conflict. This category is third in priority in Colombia, while in Argentina it is seventh.

THE GROWTH OF CORPORATE PSI

One of the most prominent trends in recent years has been the growth of corporate PSI, seen both in the direct social investment programs of companies, as well as in the recent growth of corporate foundations. This is partly due to a greater awareness among businessmen and women about being responsible and contributing to social change, and the growth of the corporate social responsibility movement. It is also partly due to public pressure placed on companies to play a more active and responsible role in social development.

4.1. The growth of corporate foundations

How corporate foundations predominate over other types of foundations in all the countries examined was looked at in the earlier section about the composition of the sector. This is a distinct characteristic found in Latin America when compared to the United States, where corporate foundations account for 3% of all foundations and their donations account for 11% of the total amount of donations in the foundation sector. Independent foundations dominate the foundation sector in the United States - 91% of the total - with donations accounting for 68% of the total of all donations made in the sector (Foundation Center, 2014).

This preponderance of the corporate sector is recent, as can be seen in table 9 that shows corporate foundations are a relatively new group. In Mexico, 71% of corporate foundations were created in the 21st century, while in Colombia a little more than half (55%) and in Brazil, a little less than half (47%). When looking at those established from 1991 onwards, almost half of all corporate foundations in Mexico (94%) were set up after 1991, while in Colombia four-fifths (80%) were established after 1991 and 71% in Brazil.

In Argentina, as discussed in the previous section, there no figures for corporate foundations. But it is known that only a quarter of all the foundations in the GDFE and RACI study were created during the XXI century, of which the

majority are corporate foundations. This means that, unlike other countries, in Argentina the dynamism involving the creation of new foundations in the 21st century did not have the same force as shown among the other countries studied, and that this last period has been one of a certain stagnation in terms of the development of the foundation sector (GDFE and RACI, 2012, p.16).

TABLE 8 Time periods during which corporate foundations were created according to country

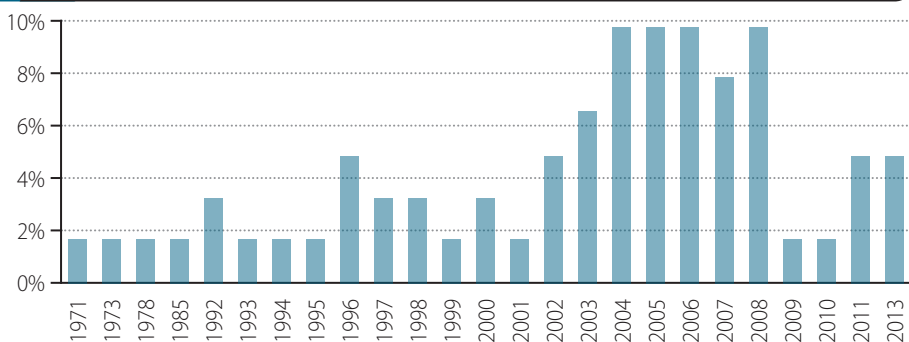
| Founded | Mexico | Colombia | Brazil |
|------------------|--------|----------|--------|
| From 2001-2 | 71 % | 40,9 % | 47 % |
| From 1991-2 | 94 % | 65,4 % | 71 % |
| Before de 1991-2 | 6 % | 34 % | 29 % |

SOURCES: GIFE census (2013, p. 17); DIS Foundation and Promigas Foundation 2012, p. 25); Villar, Butcher, Gandini and Sordo, 2014, pp. 57-58).

This phenomenon of stagnation can be seen in Mexico from 2009 onwards, and in Colombia from 2010. The peak of growth in Mexico was between 2002 and 2008, when 50% of all existing corporate foundations were created. But from 2009 onwards, a year of economic crisis, growth declined abruptly (graph 1). Despite that fact that between 2011 and 2013 some corporate foundations were created, the rhythm of growth continues to be significantly less when compared to the previous decade (Villar, Butcher, Gandini and Sordo, 2014, p.57).

In Colombia, the growth of the corporate foundations that are members of the AFE was greatest from 2001 until 2010, with 24 new foundations set up

GRAPH 1 Percentage of corporate foundations created by year in Mexico

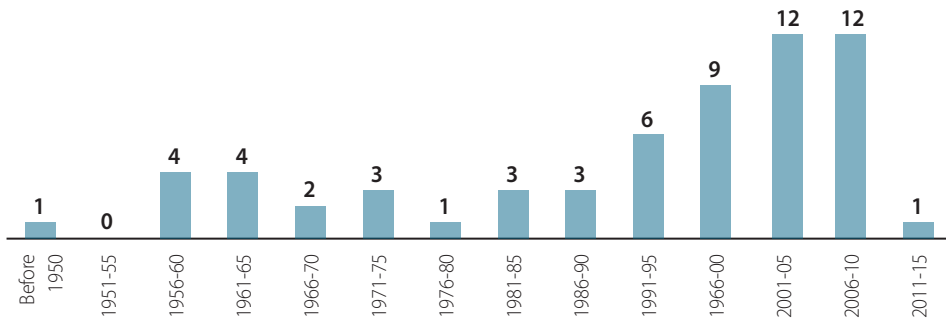


SOURCES: Villar, Butcher, Gandini and Sordo (2014, p. 57).

GRAPH

2

Percentage of corporate foundations created by year in Colombia



SOURCE: AFE Censur (2015).

during this period, while before then growth had been slower (graph 2). It is not clear, though, if what is happening in Mexico, Colombia and Argentina is part of a trend that can be explained by an increase in direct corporate social investment or if it relates to other phenomena, which will be looked at in the next section.

4.2 The trend towards alignment between corporate foundations and companies

Corporate foundations are a recent but very dynamic phenomenon. In their few years of existence there have been various changes in how they operate. One of great importance is the process of alignment between the foundation and the company and between PSI and business strategy. Today the recommendation of many consultants, and in the literature generally, is to accept that the new way of conducting private social investment is one that is good for both society and the company²⁵. Shared value and 'win-win' predominated in corporate thinking about PSI. As one of the focus groups said "corporate PSI has moved from supporting social causes for the value and relevance of a cause to supporting social causes that generate a return, which benefit society and also the company."

Various corporate foundations were created as a strategy to professionalize PSI, or as social arms of the company, tasked with designing, guiding and implementing programs and projects that are beneficial for society. and, with that role, the foundations are kept distant from the company in some ways, so as not to contaminate a political agenda and not to mix with the private interests of the company (Rossetti, 2010, pp. 2-3). The company was thought of as a

contributor of financial resources for the foundations, but in general it did not enter the arena of strategic decision-making. Today, a coming together in various areas between the foundation and the company and bringing PSI closer to the business is being recommended.

Figures from Colombia and Mexico clearly show this process of coming together. In Colombia, 37.5% of foundations were not created as instruments of CSR but by 2012 more than half (57.6%) were part of a CSR strategy and of those which were not, 7.1% wanted to be (Foundation DIS y Foundation Promigas, 2012, p. 37). According to figures from the AFE census, today 18% of foundations are totally aligned; 79% are partially aligned and just 3% are unaligned (AFE, 2015). In the case of Mexico, 42% were not created as CSR instruments, but currently only 18.8% of all foundations were not part of RSE. Put in another way, while 58% of foundations were created as CSR instruments, those which are CSR instruments is considerably higher today – 81%. (Villar, Butcher, Gandini y Sordo, 2014, p. 106).

There are no figures from Brazil to analyze change over time, but there are some that illustrate the current situation. The percentage of corporate foundations partially linked to business activities is 52% and those that are fully linked is 11%. 63% of corporate foundations are partially or fully linked, while 32% have no links to business activities (GIFE, 2013, p. 19).

For the study in Mexico, three analysis models were used to analyze the phenomenon. In the first, called total strategic integration, the company and the foundation work to guarantee that a strategy is carried out. In the second, called partial strategic integration, the foundation aligns with the corporate strategy for some programs or consults on social issues, but maintains its autonomy in others, designing and carrying out its own strategies and programs. In the third, strategic separation, the company is in charge of social issues in the CSR strategy and the foundation is in charge of its own strategic issues. In almost half of the cases (45%) the foundations operate with a partial integration scheme. Those that operate with a total integration scheme are equivalent to 34% and those that have a strategic separation model are the smallest group – 21%. (Villar, Butcher, Gandini y Sordo, 2014, p. 107).

Finally, it is worth citing the results from a 2012 survey, conducted with members of RedEAmerica about this topic, in order to have a regional perspective²⁶. The survey asked about the general perception of alignment between companies

²⁵ See for example: Uniethos (2012, p. 12); International Finance Corporation (2010, p. 3), y Porter y Kramer (2006p17-172,go (puente, catalizadora. trasen el desarrollo integral en la comunidad. En es papel de liderazgo (puente, catalizado6p17-172,go (puente, catalizadora. trasen el desarrollo integral en la comunidad. En es papel de liderazgo (puente, catalizadorr, 2011).

and foundations in the region, as well as the process of alignment in the specific company of those surveyed. In regards to the general perspective, 82% were in complete agreement or in agreement that corporate foundations are every day more aligned with companies on CSR strategy. In terms of what was happening with their own foundation, 70% were in complete agreement or in agreement with the existence of an alignment process between their foundation and the company that supports it. (Villar, 2012, pp. 7-8).

As one can see from this set of figures, in the region there is a dynamic process of alignment between foundations and companies, and currently the number of corporate foundations that are partially or completely aligned is significantly above those that are non-aligned.

As is mentioned in the Uniethos study (2012) about the trajectories of foundations and PSI, the trend is that PSI is ever more aligned with corporate strategies:

Another trend that creates tension is the notion that the PSI has gone from being understood as activities in accordance with the objectives of the company and the actions of institutions and foundations are directed to the regions and the public with which the company does business. Today, that is doing business! It is nothing more than that; it is not social action by the companies. The challenge is understanding that this is how to do business in the midst of the 21st century. (p. 12). (Translated from Portuguese).

This way of thinking about the connection between PSI and a business strategy is now very present in the recommendations and in manuals and guides for businesses. A good example is the International Finance Corporation's Quick Guide to Strategic Community Investment (2010), which asserts:

For the IFC, strategic community investment (CI) consists of contributions or volunteer activities by companies to help local communities in their areas of operation to direct their development priorities and take advantage of the opportunities created by private investment, through pathways that are sustainable and which supports the objectives of the business.

Best practices in this area are evolving. The companies have left philanthropic donations, ad hoc practices (reacting to the requirements of the community once the community suggests them) to one side and are adopting more sophis-

26 This is not a representative survey of foundations in Latin America. Its sample is too small to make generalizations (23 directors of corporate foundations in 7 countries: Argentina, Brazil, Colombia, Ecuador, Guatemala, Mexico and Peru). However, is interesting because it is regional and because of the extensive knowledge each of the participants has about PSI in their country and the region.

ticated strategies and ways to plan and carry out their programs of community investment. There is a greater emphasis in the case of the company, in looking at community investment through the lens of risk and opportunity, and in creating “shared value” alignment between the goals and capabilities of companies with the development priorities of local interest groups. (p.3).

The guide differentiates between social investment (PSI) and philanthropy. Investment has a return, and being corporate investment, it has a return for the company. Philanthropy, according to the International Finance Corporation, does not necessarily have a return; it is about donating without expecting a return. Returns for the company may be long or short-term and specific to a company (branding, visibility, reputation) or more general and generous for society (for example, it is good for companies to improve the quality of education, create a more peaceful environment, have effective institutions, public assets, etc.)

This change in vision about corporate PSI is accompanied by an even larger shift, well expressed by Voltolini (2013) in an article on the issue:

Before, PSI was an important institutional instrument to express the participation of a company in the development of society. Today, PSI integrates a fuller set of social activities – which include adequate management of public interests and harmonious relations with communities – and environmental activities, like those that deal with reducing consumption of energy, water, raw materials and supplies, gas emissions and debris. (pp.95-96)

As Voltolini said in an interview, this, in a sense, makes corporate PSI part of a bigger package, and not the main protagonist, as it was a few years ago, when CSR was equated with company investments in communities.

4.3 Growth of direct PSI in companies

Along with the growth and dynamism of corporate foundations, the other important trend is the expansion of direct PSI by companies. The information about corporate contributions in the 2014 edition of the Committee Encouraging Corporate Philanthropy (CECP) - though it is not the product of a representative sample of Latin American companies – it is the only comparative information on the subject for the region and other continents. When classifying corporate contributions by direct monetary contributions, monetary contributions via corporate foundations and non-monetary contributions, direct contributions stand out with 74%, followed by contributions via foundations (24%) and non-monetary contributions (2%) (CEPC, 2014, p. 8).

In Brazil, Comunitas has produced an annual report since 2007, the Benchmarking Corporate Social Investment (BISC). It deals with social investment by

the country's largest companies, following the methodology of the CECP²⁷. Total social investment by the companies in the BISC group during 2012 was 2.5 trillion reales, equivalent to US\$1,202,923,076.²⁸ This is the highest social investment reported in the six years of the BISC. In 2007 it was 1.3 trillion / billion reales (Comunitas, 2013, p. 11). In 2013 estimated total investment fell to 2 billion / trillion reales, because of economic deceleration in the country. (Comunitas, 2014, pp. 8, 19).

To put the corporate social investment figures in context, the authors of the BISC report compared them with the resources destined for the Bolsa Familia, the biggest program to combat poverty in Brazil. They found that in 2012 it was equivalent to 12% of the resources of this program and 8% in 2013. (Comunitas, 2014, p. 18). This comparison shows that despite the high volume and the importance of social investment by companies, it is much below than that of the government.

Finally, it is worth comparing the investment of the BISC group (2.5 billion / trillion reales) with that reported by GIFE among the 100 members who responded to the census, which was 2.2 trillion/ billion reales. In this last case, it is important to notice that a large portion of the PSI of GIFE members is reported in the work of BISC, because, as will be seen, a considerable number of the companies that reported have foundations (GIFE, 2013, p. 15)²⁹.

We will now look at some figures showing the features of PSI among the BISC group. The 2013 report has information of great interest about the evolution between the direct application of companies and the transference to foundations and institutes. The majority of the BISC companies (83%) have foundations or institutes to carry out activities in the social field. Of the total 2.5 reales invested in 2012, 63% of funding destined to social areas were applied directly by companies, 34% by institutes or foundations and 3% were goods and services. These percentages have varied over time, with a clear tendency towards a relative increase in direct investment by companies in relation to foundations and institutes. The proportion of direct investment by companies has increased from 57% in 2010 to 59% in 2011 and 63% in 2012, while the corresponding percentages for foundations and institutes fell from 43% (2010), 41% (2011) to 34% (2012)

²⁷ The 2014 report has information from 308 businesses, 26 corporate foundations, one independent institute and one federation of companies from the industrial sector (Comunitas, 2014, p. 5). Brazil is the only country in Latin America that produces this information using a large simple of businesses / companies. Other countries in the region that CEPC reports on (Mexico, Chile, Colombia and Argentina) have information about a much smaller number of businesses and do not produce their own original reports.

²⁸ This estimate was based on an exchange rate of R\$ 2,08.

²⁹ Recently, BISC's estimated investments were compared with those of GIFE and it was found that total investment in Brazil would be \$3.2 trillion reales (see www.bisc.org.br). One group of the foundations in the GIFE survey also reported to the BISC, therefore the final result is not the sum of the two estimates.

(Comunitas, 2013, pp. 30-33). In 2013, this trend reverses as institutes represented 42% of investment, while the proportion of direct investment by companies fell to 57% (Comunitas, 2014, p. 19).

According to those people interviewed, the social demands placed on businesses and the ever more active and integral way of understanding CSR, are important reasons why businesses are getting more directly involved with PSI programs. It seems these variables, more than the returns on investment, explain the reasons behind more company involvement, or at least that is what can be concluded from analysis of the BISC report. This compares the level of satisfaction with the return for a business, for both the direct investment of the company and the investment of its institutes or foundations, according to different groups within the company (board members, shareholders, upper management, those responsible for social issues, coordinators or managers and employees). A final element of corporate PSI from the BISC group that we would like to show here is PSI as a percentage of gross profits. Brazilian companies now surpass their United States counterparts. When BISC began its studies in 2007, Brazilian companies socially invested 0.62%, while in the United States the percentage was 0.92%. Brazilian figures increased to 1.37% in 2012, while in the United States they were up very slightly to 1.00% (Comunitas, 2013, p. 13). The PSI median in the United States is still higher than in Brazil - US\$19.9 million versus US\$16.3 million. These figures indicate that, though PSI amounts are higher in the United States than in Brazil, they are lower as a share of profits, and though in Brazil the percentage is growing, in the United States it remains relatively stable.

For the other countries in region, we do not have information as complete as what is found in the BISC report.

The other interesting element to compare is the percentage of funding from the company in foundation budgets. In Mexico, this corresponds to 75% of the budgets of corporate foundation (Villar, Butcher, Gandini and Sordo, 2014, p. 116). In Argentina, 75% of foundations have only the company as a source of funding and for the group of foundations in the study, corporate funding corresponds to 73% of their budgets (GDFE y RACI, 2012, p. 17). In Colombia, only 31% of foundations were financed exclusively with company funding. For all the foundations in the study, company funding accounted for 58% of their budgets (Foundation DIS and Foundation Promigas, 2012, pp. 26-28) and for foundations created by just one company, company funding corresponds to 50% (presentation of results in *Gestrategica*: www.gestrategica.org, February 23, 2012)³⁰. According to the

³⁰ In focus groups, directors of corporate foundations said there exists a growing pressure to find funding additional to those of companies and they even said that some boards expect corporate foundations to be "self-sustaining".

AFE, it is ever more frequent that corporate foundations look for new financing mechanisms that make them less dependent on founding companies. In Brazil corporate funding in the budgets of those in the GIFE census were the lowest of any country (40%), but one has to keep in mind that 31% of funding from those same foundations come from endowments, some of which were created for the companies (GIFE, 2013, p. 33)³¹.

4.4 Peru's "social funds"

To finish, a sui generis method of corporate social investment that is not found in the main countries of this study, Peru's social funds, will be analyzed. These co-exist with corporate foundations and programs of direct social investment by mining companies. They are interesting because though contributions by mining companies to these funds is obligatory by law, these funds, together with other actors, actively participate in decisions about the destination of the social investment. Social funds are also interesting to analyze because of the high volume of funding they mobilize and because of their legal character.

Social funds, as defined by Maria Beatriz Parodi (2013),

[...] are legal non-profit and private entities, which have a legal origin, and which were created to supply an organization structure for decision-making with the participation of private companies and those populations involved, and at the same time to give more flexibility, in the private sphere, to the management of resources allocated to carry out social projects that benefit the zone of influence of the projects promoting private investment, which is promoted by the State. (p. 11).

Social funds were created under a legal framework created in a legislative decree in 2008. It looks to overcome the operational difficulties the previous mechanism had in establishing trusts with obligatory contributions from mining companies in possession of concessions. This mechanism demanded that funding be carried out through the State and within the regulations that govern the public sector. Creating social funds as legal non-profit entities is an effort to guarantee flexibility in management processes (Parodi, 2013, p. 7).

³¹ The figures from GIFE are about its members. The majority are corporate foundations, but there are also family and independent foundations. As the report does not discriminate the origin of funding by the type of foundation, it is impossible to know the extent of endowments in the budgets of corporate foundations. In the case of Mexico, this is low (3.4%) (Villar, R.; Butcher, J.; Gandini, L.; Sordo, S. 2014:116). In the case of Colombia, endowments are included in 'other' listings and therefore it is not possible to report about it (Foundation DIS and Promigas Foundation, 2012: 28).

Social funds have the objective of channeling resources contributed by mining companies to projects in the same areas of influence where those companies operate. For this end, they establish an organizational and governmental structure with the participation of the contributing company, the communities who benefit and local and provincial governments.

The channeling mechanism for the resources is the following: the resources of social funds

[are the] resources transferred or contributed by private companies, as part of the process of private investment promotion promoted by the State. Those “social contributions” are turned over to the State through Proinversion (the agency for the promotion of private investment and which conducts these processes and international public bidding) and, once social funds are constituted in public registries (as legal entities), the State transfers the said resources to the funds, through a special agreement. (Parodi, 2013, p. 16).

Social projects can be focused on various issues, from infrastructure, social facilities, training projects to the strengthening of capacities and the creation of productive projects. Projects and resources are transferred to communities and municipalities, while as far as the funds are concerned

[...] they do not seek to keep their patrimony in projects? but rather that they are turned over and transferred to those institutions that are able to direct/ own? and manage them later on; which constitutes a challenge for the future sustainability of these projects, and indeed of Social Projects at large.”

The amounts of funding transferred by six social funds analyzed by Parodi (2013) that has been cited are quite high. In just the second quarter of 2012, these funds had already transferred S/.\$1,044,972.618 soles, equivalent to US\$417, 989, 190³² (pp. 19 y 21).

As is clear from this brief description, Peru’s social funds are a social investment scheme that does not comply with the ‘voluntary’ criteria of PSI, as the social contributions are required by law, but which does have mining companies, together with local communities and authorities, as an actor participating in decisions about the use of funding destined for its areas of influence and as co-beneficiaries with communities, in the sense that companies look to create a more favorable social environment for the development of mining projects. In this sense, social funds are an interesting model with pros and cons that should be analyzed in other countries in the study to decide if their application might be pertinent.

³² This estimate is based on a \$1 USD to 2.5 soles exchange rate.

4.5 Implications of corporate predominance

One controversial issue, which recurred in interviews and in focus groups, though it was not always shared, was a critique of the implications of corporate predominance in PSI. The critique was especially centered on the way of understanding the alignment and investment return, as well as the loss of the central notion of solidarity as a guiding value in PSI strategies.

The problem highlighted by several of those interviewed was not the alignment of foundations with companies, nor the search for shared value, but the imbalance in how alignment and returns are sometimes understood, when private interests are favored over public ones. As an ex-director of a foundation said in an interview “[...] the *raison d’être* of foundations is to contribute to social change, but this idea is diluted in many cases when the search for a return for the company and for particular beneficiaries is favored.” Foundations are endowments created for public ends, and, therefore, cannot be limited to being corporate instruments for the management of private interests and for the management of a company.

On the subject of shared value, it was also commented that in many cases it is understood in a very limited way, as a return for the company that carries out PSI is expected instead of a large-scale return, like for example a return for the corporate sector at large or for regions and areas where the company is present. On this issue, the director of CSR for a company said in an interview:

[...] the idea of shared value has generated a logic of my projects and initiatives that have a return for my company and this limits the horizon for projects. We should think of greater issues (institutionalism, democracy, transparency) that have returns but on a bigger scale. They don’t just benefit just a particular company but a group of companies. They are more public issues that require greater and more complex collective actions, but which in the end have a return for everyone.

A wider view of the issue of return on the part of companies would facilitate their participation in shared agendas and a commitment to build in the public sphere.

For this discussion it is worth remembering one of the principals of the Self-Regulation Code for Social Investment, from the GDPE in Argentina:

Adopting the public good as the ultimate and principal goal of social investment actions, in spite of having situations where at the same time other tangible, intangible, internal or external benefits for a donating entity are pursued as simultaneous goals or as the secondary result of a successful investment made (Taken from <http://www.gdpe.org.ar/>).

4.6 Priority issues in the PSI agenda: the importance of education, community development and economic development.

A comparison of the thematic areas is complex, since on the one hand the classifications used vary widely between countries, while on the other hand in some countries there are classifications for all groups of foundations (Brazil and Argentina). In other countries, like Mexico and Colombia, there are only classifications for corporate foundations. Despite this difficulty and the care that is needed when interpreting data, it is worth noting some of the similarities and differences between countries.

What stands out first when comparing is that, with the exception of Mexico, education is the priority issue in the foundation sector in Latin America. As can be seen in table 9, 86% of foundations in Brazil, 70% of those in Colombia (affiliated with the AFE) and 52% of those in Argentina have education as a program theme. In Mexico, education is second in priority (52%), in very close proportion to the main priority. In those countries where information is available about which areas companies focus their direct social investment in, education is also found to be the main area of investment. Ninety percent of Brazilian companies that are part of the BISC group, invest in education (Comunitas, 2013, p. 37) and in Argentina 70% of companies do so. (GDFE and RACI, 2012, p. 15).

Mexico is the only country where education is not a priority, with the key area being human services (55%). This contains a wide range of sub-themes (children and youth, natural disasters and support for those affected by disasters, nutrition, and disabled people etc.). This is consistent with the two key features of corporate foundations in Mexico: one is the high percentage of foundations whose beneficiaries of its programs are individuals (70%), which is only slightly lower than those programs where civil society organizations (CSO) are the beneficiaries (78%). The second is that among the strategic objectives of foundations direct attention to the needs of the population predominates, followed by people capacity building (25%) and a significantly lower percentage (9%) are those foundations that have organizational capacity building as their strategic objective (Villar, Butcher, Gandini and Sordo, 2014, pp. 72, 82 and 83). These features of Mexican corporate foundations differ from the Colombian ones where 89% of foundations have strategies for capacity building for programs in different thematic areas and only 37% of them state that directly addressing the needs of a population is a strategy (DIS Foundation, Promigas Foundation 2012, p. 44). The importance attached to capacity building in the strategies of foundations in Colombia is also shown in AFE's 2015 census.

After education, the issue of community development and economic development are high on the PSI agenda In Colombia, income-generating projects

come second in terms of priority (44% of foundations have programs in these areas). In Brazil, community development is the third priority, with 53% of foundations having community development programs. Two areas related to economic development – youth job training and citizenship – are of high importance in Brazil and are considered to be second in importance among 60% of foundations. Job creation and income generation hold sixth place in importance with 48% of foundations having programs in these areas.

Unlike Brazil and Colombia, few corporate foundations in Mexico are involved in community and economic development programs (17% for the first and only 5% for the second). In Argentina, 9% of corporate foundations have programs to do with the economy. The classification system in Argentina does not use the category of community development, but this is surely part of programs aimed at reducing poverty and inclusion, which are third in importance and 45% of foundations have programs in this area. In Argentina, the second priority for foundations is culture, with 46% of foundations having programs in this area, which is similar to Brazil (53%) and considerably higher than in Colombia (20%) and Mexico (19%).

Some issues stand out for the low importance they are given in the world of PSI. One issue that is highlighted is human rights. As seen in table 9, Brazil is the country with the highest percentage of foundations that have human rights programs (41%) but the issue is placed ninth in terms of its priority. In Colombia, 25% of foundations have programs in a category that includes human rights, peace and overcoming the country's conflict, which is third in priority. In Argentina, it is seventh in priority with 20% of foundations having programs in this area. In Mexico, human rights are listed in the category of public interest/use but the category is not broken down.

With regards to companies, BISC's study shows that only 25 percent of companies in Brazil have programs aimed at defending rights, a lower percentage than the foundations and institutions that took part in this study (36%) (Comunitas, 2013. P 37). In Argentina, the percentage of companies with human rights programs is also low (23%) but unlike Brazil this is a higher percentage than that of foundations (20%) (GDFE, 2012, p. 25).

TABLE 9 Foundation programs based on thematic areas in percentages

| Mexico | Brazil | Colombia | Argentina |
|---|--|--|--|
| 1. Services for people: 54,7 % | 1. Education: 86 % | 1. Education: 70 % | 1. Education: 52,3 % |
| 2. Education: 51,6 % | 2. Training of young people for employment and citizenship: 60 % | 2. Income generation: 44 % | 2. Culture: 46,2 % |
| 3. Public and social use: 46,9 % | 3. Community development: 53 % | 3. Grassroots development and work with local communities: 41 %. | 3. Poverty reduction and inclusion: 44,6 % |
| • Community development 16,9 % | 4. Culture and Arts: 53 % | 4. Peace, overcoming conflict, human rights: 25,4 % | 4. Strengthening SC: 29,2 %, |
| • Corporate economic development 4,6 % | 5. Management support to third sector organizations 49 % | 5. Art, culture and sports: 24,7 % | 5. Health: 24,6 % |
| 4. Health: 32,3 % | 6. Job creation and income: 48 % | 6. Culture and citizen coexistence: 20,3 % | 6. Environment: 21,5 % |
| 5. Environment and animals: 23,4 % | 7. Environment: 43 % | 7. Health: 20,3 % | 7. Human Rights: 20 % |
| 6. Art, culture and humanities: 18,8 %. | 8. Social assistance: 42 % | 8. Housing: 18,9 % | 8. Science and technology: 13,8 % |
| | 9. Defending rights: 41 % | 9. Protection of the environment: 15 % | 9. Economy: 9,2 % |
| | 10. Sports and recreation: 36 % | 10. People with disabilities and the elderly: 13,5 % | 10. Public sector reform: 4,6 % |
| | 11. Health 33 % | 11. Nutrition and food security: 12 % | 11. CSR: 3,1% |
| | 12. Communication: 31 % | 12. Sustainable mobility: 1,7 % | 12. Justice and security: 1,5 % |
| | | | 13. Transparency and combating corruption: 0,6 % |

SOURCES: Villar, Butcher, Gandini and Sordo (2014, pp. 72-73); GIFE (2013, p. 36); AFE (2015); GDFE and RACI (2012, p. 25).

4.7. The challenge of diversity in the sector

Recent changes in the composition of PSI, and especially the predominance of the corporate sector, have led to different directors of national and international foundations to promote greater diversity in the sector and to drive with greater force independent and community alternatives. This challenge came through in the focus groups and interviews conducted in various countries. Only in Brazil, though, is there a proposal by GIFE to promote diversity in a formal way.

In 2010, GIFE launched its Social Investment Vision for 2020, which is a 10-year vision for PSI in Brazil. (Degenszajn y Ribeiro, 2013, pp. 25-26). The main

aim of this vision is to promote greater diversity in the issues investors focus on, its reach and sources of funding. It is hoped that in the next ten years it is possible to achieve a reduction in the concentration of corporate PSI and stimulate family, independent and community foundations. The three key parts of GIFE's vision are the following:

- » *Relevance and legitimacy.* Keeping in mind that the relevance and legitimacy of PSI depends on the recognition it has in society, GIFE's vision considers it important to advance on the following issues like: management processes, governance practices, impact of programs, social coordination, and communicating with different audiences and transparency.
- » *Investment coverage.* Today education, youth training, job creation and income generation are priority issues. PSI funding is being invested more in the southeast of Brazil than in other regions of the country, and more is spent on programs than is being donated, which leaves out many civil society organizations. PSI should be distributed in a more equal and balanced way in terms of the issues it covers, geographical areas, segments of the population targeted, the way it operates, and its action strategies.
- » *Diversity among investors.* To guarantee greater coverage and reach the following is needed: a greater diversity of funding sources, new arrangements for investment; a more diverse group of investors with family, independent and community backgrounds. This is because companies invest less in controversial issues, and invest in those issues that are more aligned to their interests and are nearer their production units.

In Brazil, and in other countries, there are various strategies being proposed to expand the diversity of PSI. Among these strategies are:

- » The promotion and strengthening of family, community, and independent foundations, which have more freedom than businessmen and women to structure their investment programs. They can also take on greater risks, can contribute more to social innovation, and coordinate actors in order to have collective impact and to have the support for the most controversial issues in society.
- » Another strategy is the development of independent funds or those belonging to foundations to target donations to CSOs. This contribute to the strengthening of an autonomous civil society, the deepening of democracy and ensures a flow of funds and various ways of support for issues such as the strengthening and quality of public institutions, transparency, social equality, inclusion, human rights, etc. These issues have lost strength on the civil society agenda following the partial withdrawal of international cooperation.

- » The strengthening of social business (companies motivated by social causes and social businesses with impact, business targeted towards providing for the public good) which has a triple bottom line (economic, social and environmental).³³
- » Community philanthropy is growing in Latin America but it still has great potential to advance and support the role of grassroots organizations and the development of sustainable communities.
- » The development of mechanisms such as crowdfunding or micro-donations from individuals can contribute to a greater social support for causes, social initiatives and the growth of legitimacy and citizens' trust in CSOs. Clearly making progress with micro-donations for social organizations implies a huge effort if one takes into account the data in Jacqueline Butcher's work (2013) in Mexico. The study showed the high volume of individual monetary donations Mexicans make (Mex \$ 22,000 million, equivalent to US \$ 1.6 trillion), which is similar to what all of the authorized donors in Mexico received from companies and foundations. 68% of people prefer to donate directly to people in the street rather than to an institution (pp. 22 and 71). It appears that a lack of public confidence towards CSOs and an understanding of their role explain this weak institutionalization of donations.

One interesting example of promoting such diversity, is the creation of the Network of Independent Funds for Social Justice in Brazil. This emerged to promote and diversify the culture of philanthropy in the country. It aims to promote individual and family donations, strategic social investment with the goal of increasing resources for human rights, racial and gender equality, socio-environmental rights and sustainable local development. The Network's members are institutes, community foundations and funds such as: Coordenadoria Ecumenical Serviço (CESE), Fundo to Equidade Baobá for Racial, Social Elas Fundo, Brazil Fundo Human Direitos, Socioambiental Fundo House, BrazilFoundation, Instituto Rio, ICom - Large Institute Florianopolis and Baixada Maranhense Institute (GIFE, 2014, pp. 29-30).

4.8. The recent rise of international PSI by Latin American foundations and companies.

The frontiers of PSI among Latin American foundations and companies are not currently limited to their country of origin. From the information available, it can be established that a large number of foundations and companies have expanded their social investments to other countries. This phenomenon is basically

33 This topic will be analyzed in more detail in the next section.

due to the expansion of entrepreneurial activity beyond national borders. With such expansion, CSR, sustainability or corporate foundation teams face the big challenge of getting to know about and understanding well the new contexts in which they unfold so that they can adapt their programs in their own countries.

According to GIFE's census, PSI activities among 36 of its members are taken to other countries and 21 members have programs aligned with activities they carry out in Brazil (GIFE, 2013, p. 41). In BISC's study, funding for PSI invested abroad accounted for 17% of the PSI total, of which the largest part of this investment were funds received in those country where they invest. 36% of funds are invested in Latin America, 36% in the Middle East and Africa, 18% in Asia and the Pacific, 9% in North America and 1% in Europe. The main areas of international investment are in economic and community development (27%) and education (22%) (Comunitas, 2013, pp. 58-59).

In the case of Mexico, there is no information available on the amounts invested abroad. But in the study on corporate foundations, 20% of these are programs have an international reach (Villar, Butcher, Gandini and Sordo, 2014, p. 71). In the case of Colombia, according to the focus groups and as confirmed by the AFE, companies that have expanded as multinationals are taking their PSI strategies to other countries and are adapting them to new contexts. In the same way, South-South cooperation represents a major challenge for local actors in Latin America, who are now beginning to take on a role in which more than being receivers, they have the capacity today to share experiences and knowledge to other countries. WINGS, a global network based in Brazil, and in which the four associations that promoted this study play a key role, has allowed the world to know what is happening in Latin America in terms of PSI and philanthropy.

4.9. Market solutions: A new form of PSI?

Market solutions to social problems is an issue of growing importance in Latin America. The idea that market mechanisms can play a key role in solutions to social problems has gained great force in the world and is starting to be an important part of the agenda in the region. Organizations, events and publications about inclusive business, social business, social companies, business at the base of the pyramid, B companies or benefit corporations, social investment funds with impact and other names with such types of solutions have increased.³⁴

³⁴ Inclusive businesses are companies for people with low incomes, which are included in the value chain of another company. (Izzo, 2013).

Social business refers to those businesses in which social impact is directly related to a company's main business, with its core business. In social business, there are two lines of thought regarding profit distribution: 1) reinvest all

Given that this is an emerging movement and because it includes diverse types of market mechanisms with solutions to social problems there is neither a shared definition nor a single name to describe the activities of this movement. What they have in common is being part of an innovative movement that seeks to generate positive social and environmental impact, using business models and market mechanisms. It is a movement that pushes the boundaries of the non-profit sector, which has traditionally been seen as one that should have donations as its main source of funding in order to create social impact, and a profit sector that conceives that the main objective of a company should be to maximize profits. The use of market mechanisms to create social impact calls into question these two traditional notions and puts forward the idea of a continuum that ranges from market alternatives, that partly generate funds for the non-profit sector, to the creation of social businesses and companies, which have as their main goal not to maximize profits but rather a solution to a social problem (Bombardi, 2012)³⁵.

Authors like Lester Salamon (2014) consider these solutions as the “new frontiers of philanthropy” and that this can, like other yin yang principles unite opposing forces that have a unique ability to produce new ways of combating the huge social and environmental challenges of today. This new philanthropy,

profits back into the operations of a business, based on the argument it is not possible to have two simultaneous priorities without having some kind of conflict between the two (social impact and financial return and 2) to distribute dividends and profit to investors as a mechanism to attract more money into the sector (Izzo, 2013). Business at the base of the pyramid or with the base of the pyramid (BdP) involves what is generated by existing companies that take on a commitment to contribute to poverty reduction by developing products or services with the base of the pyramid. In the first phase (business at the base of the pyramid), the focus is on the sale of products and services to a potential market targeting poor populations. In the second phase (business with BdP), businesses at the base of the pyramid look for poor people who can take part as partners in the business (Bombardi, 2012).

B Companies, B corps or benefit corporations emerged in the United States based on an idea that was very different to that of the classic corporate model in which profit is the main goal. The focus and mission of these B companies is to generate social and environmental benefits, and that they are certified, which ensures they comply with set standards. In the words of someone who promotes B companies; “The big advantage of this type of company is that, without giving up operating as companies do, which is to be efficient and make profit, B companies do not forget that their key goal is one related to the common good.” (Taken from: <http://www.innovacion.cl/reportaje/las-nuevas-companias-del-siglo-xxi/>)

Social impact investment funds bring together funding from numerous sources (individuals, foundations and companies) and they operate as intermediaries between the demand and offer in order to invest in specific areas (Schwab Foundation and Technische Universität München, 2011, p.7). A 2014 report by Bain & Company, Inc. noted that “the capital invested in Latin America by impact investment funds increased from US\$ 160 million in 2008 to approximately US\$ 2 billion by the end of 2013. This represents an increase of 12% in just five years” (Leme, Andre; Martins, Fernando and Hornberger, Kuis. 2014:5).

³⁵ A slogan these companies have that captures in a clear way their essence is, “Social companies are not competing to be the best in the world, but to be the best for the world.” (I’ve seen this slogan as, “These companies are competing to be not only the best in the world, but the best for the world.”)

with its emphasis on social entrepreneurship, seeks not only to obtain a social return but a financial one too. This according to Salamon, though, continues to be philanthropy in the sense that it is fundamentally a way of providing private funding for social and environmental aims. Salamon recommends four fundamental innovations for this new philanthropy (Salamon, 2014):

- » Go beyond donations and use a range of financial tools.
- » Go beyond foundations and create a wide array of new actors, such as investors with social aims, stock brokers, social markets for actions, etc.
- » Go beyond the inheritances of rich families and bring together funding derived from the privatization of public funds to establish investment funds with a social purpose.
- » Go beyond money and use a variety of services and forms of assistance.

According to the director of one of the pioneering investment funds with impact, Vox Capital, created in Brazil in 2009, the introduction of the concept of social business saw key actors like Artemisa Social Business, Avina and Ashoka play a role during the middle of the previous decade.³⁶ According to Salamon, in just a decade, the dynamism of the sector has led it to be considered today as an ecosystem with its different actors: accelerators such as Artemisia, Pipa and the Smiling World Accelerator Program (SWAP)³⁷, investment funds with impact, universities that offer courses on the subject, programs to attract human talent, especially among young people, (Artemisia's choice movement)³⁸, foundations that promote the issue of social business (The Entrepreneurial Citizenship Institute, Alana Institute, and Potencia Ventures)³⁹, and a support network for social businesses (Aspen Network of Development Entrepreneurs-Ande)⁴⁰, law firms (Mattos Filho)⁴¹ and programs to support these types of companies (Endeavor)⁴² (Izzo, 2013, p. 111).

In Mexico, there has also been important progress made on the issue of social business and the creation of an ecosystem that supports it. For the past ten years, New Ventures is an entity that has been catalyzing the development of profitable social and environmental companies that contribute to solving environmental and social problems in Mexico. Along with the support of specific

³⁶ See <http://artemisia.org.br/>; <http://www.avina.net/esp/acciones-por-pais/brasil/>; <http://brasil.ashoka.org/>

³⁷ See <http://artemisia.org.br/>; <http://www.pipa.vc/>; <http://www.lgtvp.com/Uber-uns/Uber-uns.aspx>

³⁸ See <http://www.artemisia.org.br/conteudo/frentes/inspiracao/choice.aspx>

³⁹ See www.ice.org.br/; <http://alana.org.br/>; <http://potenciaventures.net/>

⁴⁰ See <http://www.aspeninstitute.org/policy-work/aspennetworkdevelopmententrepreneurs>

⁴¹ See <http://www.mattosfilho.com.br/>

⁴² See <https://endeavor.org.br/>

companies, New Ventures dedicates great efforts in strengthening the ecosystem that supports companies through services and financing, acceleration and promotion programs.⁴³

There are also entities such as IGNIA, which support high-growth companies aimed at addressing the socio-economic base of the pyramid in Mexico. IGNIA targets those sectors that yield a high impact on the welfare of low-income families, such as health, housing, financial services, and basic services (water, energy, and communication systems).⁴⁴ Another important Mexican example is Compartamos Mexico, which is dedicated to eradicating financial exclusion. In 1990, it started as a private assistance institution (PAI) and became a bank in 2006⁴⁵.

Cemex, a Mexican company renowned for its social responsibility, recently launched an initiative to promote the development of social business. This initiative is a platform for innovation, development and the promotion of entrepreneurial projects with high social and environmental impact called Crecimientos. According to Martha Herrera, director of Corporate Social Responsibility at Cemex: “[...] What we do with this platform is to include under one umbrella all the company’s efforts in terms of social business, as well as to exchange best practices.” Along with the launch of this platform, Cemex reached an agreement with the company, The Grameen Creative Lab, founded by Nobel Peace Prize laureate, Muhammad Yunus, to jointly create Crecimientos’s first social business, targeting towards the development of family businesses, which initially will focus on housing and basic services. By 2016, it aims to reach more than 3,000 social entrepreneurs. The partnerships made will be a central hub for the development of the initiative. As the director of CSR says: “[...] with social business we cannot go it alone, we need to partner with the government, organizations, entrepreneurs and universities to reach more people.”⁴⁶

Lastly, it is worth highlighting that in Mexico, the Federal Government, through the National Institute of Social Economy (INAES), is working on the coordination and integration of different government secretaries and institutes to address in a more efficient way the social economy, and to foment and promote it with public calls for proposals and to establish partnerships with the private sector⁴⁷. The National Institute of Entrepreneurs (INADEM), another institute of the Ministry of the Economy, is promoting impact investments and social busi-

⁴³ See <http://nvgroup.org/web/>

⁴⁴ See <http://www.ignia.com.mx/bop/>

⁴⁵ See www.compartamos.com.mx

⁴⁶ See <http://venturamexico.com/2014/11/cemex-lanza-plataforma-para-promover-negocios-sociales/>

⁴⁷ See <http://www.inaes.gob.mx/>

ness through competitions, information about support programs and types of financing, as well as strengthening the ecosystem.⁴⁸

In Colombia, Compartamos /Let's Share with Colombia, has played an important role in the promotion of social business and investment with impact, with the promotion and partnerships of entities like Inversor and Ventures Corporation. The Investment Impact Fund was created in 2010 to finance, support and strengthen companies that create high social and environmental impact and financial profits. For Inversor, investment impact is “a hybrid between traditional philanthropy and private investment where a return on the capital invested is sought and at the same time positive social and environmental change”.⁴⁹ Created in 2000, Ventures Corporation focuses on the creation and development of sustainable business projects and it has training programs, a business accelerator and credit lines.⁵⁰

Acumen recently announced the creation of a social impact fund that will be based in Bogotá and invest in entrepreneurs and innovative companies across Colombia and Peru. According to Acumen's director for Latin America, investments will be focused on rural areas “in long-term solutions rather than short-term interventions because long-term solutions have the capacity to generate expected and sustainable incomes for households”.⁵¹ Acumen works with different strategies: it invests in companies with products and services that allow them to transform the lives of people living in poverty or to provide entrepreneurs tools to make their companies more sustainable. It has a global and regional fellowship program and a platform to share ideas and solutions to speed up the fight against poverty.⁵²

Apart from the priority countries examined in this study, in other countries like Chile, important progress has been made in the field of social enterprises. A recent initiative in Chile seeks to overcome institutional, cultural and skills barriers that hinder the expansion of this type of social business. This initiative, called #101 Solutions, is the result of an open call for proposals to more than 40 organizations dedicated to promoting social entrepreneurship in the country, which have collectively created proposals for solutions to the obstacles that affect this type of entrepreneurship. The initiative includes proposals with eight lines of action: human capital development, promotion, legislation and

⁴⁸ See <https://www.inadem.gob.mx>

⁴⁹ See <http://www.inversor.org.co>

⁵⁰ See <http://www.ventures.com.co>

⁵¹ See <http://acumen.org/america-latina/blog/lanzamiento-de-acumen-para-enfrentar-la-pobreza-en-america-latina/>

⁵² See <http://acumen.org/america-latina/>

regulation, impact, measuring and certification, financing, public service, social innovation and knowledge transfer, and building networks. The organizing team and initial promoter of this initiative consisted of six organizations (System B, CoLab, Socialab, Avina, Adolfo Ibáñez University and newspaper El Definido).⁵³

Outlined below is the way #101 Solutions sets out the field of social business and seeks to differentiate it from CSR:

In recent times, new actors in society have begun to emerge: social enterprises. These are companies that have redefined their purpose by using innovative market mechanisms to solve socio-environmental problems. This unifying definition is still being debated, and is open to interpretation as it represents a sector that involves a wide range of actors. However, beyond their differences, what characterizes such companies is that they have defied the traditional conception of a company. This is because they consider social and environmental challenges as their business goals, and financial results, as the means to achieve such objectives, competing not only in terms of price and quality, but also in their capacity to achieve social and environmental change.

[...] Social enterprises have evolved towards business with more integrated models, which manage to combine social justice, environmental protection, organizational transparency and economic value in a proposal with a unique, innovative, self-sustaining value. Social enterprises can operate in diverse sectors of the economy, and can generate value and positive social and environmental impact in different areas. (From: <http://www.101soluciones.org/#>).

In other studies, an emphasis about how social business is differentiated is not discussed in terms of CSR but is included in philanthropy. Below is a case study on the subject conducted by researchers from the regional Social Enterprise Knowledge Network (SEKN), which asserts:

This new interest in markets is based on the belief that any effective solution to global poverty needs to bring together three key characteristics. First, it needs scale. The magnitude of the problem requires solutions with an according dimension or they that can replicate themselves with flexibility. It is unlikely that the well-intentioned initiatives of philanthropic entities pass this test. Second, solutions must be permanent. Given the complexity of the problem of poverty, serious attempts to combat it will have to last for several generations. Governments come and go, and multilateral organizations change their priorities according to the issues of the moment. Third, any solution to the problem of poverty must be efficient and effective. Funding is scarce and one has to get

⁵³ See <http://www.101soluciones.org/#>

the maximum advantage from funds in order to gain the most possible benefit (Márquez, Reficco and Berger, 2010, p. 2).

It seems that because of the initiatives mentioned earlier, social business, social enterprises, and in general, the use of market mechanisms in the social field, are here to stay and contribute to expanding those actors involved in solutions to social issues and in expanding the scale and sustainability of their actions. In Latin America, this field is still in its experimental phase but in Brazil, Mexico, Colombia and Chile, important initiatives already exist.

Some of those who promote social business and market solutions in the social field have a critical view of PSI and philanthropy, as was mentioned in several interviews. It seems something similar is happening to what occurred regarding the concept of PSI. As already discussed, PSI was constructed as something that was in contrast to philanthropy and welfare-based assistance. The field of social business and market solutions to social problems is being constructed as something that is opposed to PSI in the foundation world (as can be seen in the quote from SEKN) and to CSR (as seen in the quote from #101 Solutions). Perhaps it would be better to think of social business as a promising field that needs to be in peaceful coexistence with other expressions of philanthropy and with the CSR movement, rather than trying to surpass them. Perhaps social business will not replace any of these fields as not all social problems can be solved with a business focus and not all businesses will be social. Perhaps what happened in Mexico will continue to occur as shown in the recent visit by Muhammad Yunus, one of the pioneers of social business. When interviewed about the social projects he thought were interesting in Mexico (a country with significant progress in the issue), he replied:

Many things are happening in Mexico, good work in microfinance is being done. But when we talk about social business this is not what I have seen so far. These are things that come close to social business but are not exactly that, because they are charitable or for profit, someone is making money out of them. Social businesses are nondividend companies that solve problems, are specifically designed to solve problems without having any intention of gaining dividends for oneself. One should then take this money and reinvest it in the company. (Expok. 3 Social Business Questions. Interview with Muhammad Yunus, 2015).

It is still necessary therefore to advance with initiatives and in the debate about what is, and is not, social business, and about its relationship and differences with PSI and CSR. This could be something that arises from new fields in the sector and especially from promising fields.

5

STRATEGIES TO EXPAND THE SCALE AND IMPACT OF PSI

From specific projects to regional development

- Local development is a long-term strategy that has as its unit a region, and **its aims to create synergies based on a shared agenda.**
- A company that works as a promoting entity in and outside of a community, and one that has a regional development approach, starts to see itself as part of the community.
- **Having a long-term view and integral actions are needed in regional development,** as well as creating shared visions and coordination between actors.



From issues to shared agendas

“The time has come to build new dynamics: the first and main one consists in going from a model of individual actions to one of collective actions.”

The challenge of coordination in education has been taken on by various countries in the region, from the creation of multi-corporate or multi-actor foundations to programs shared by foundations and companies, and the development of shared agendas and movements

Another area where coordination is taking place is in community development. **RedEAmérica is a renowned initiative of coordination in this field.**

“The Post-2015 Partnership Platform for Philanthropy and Private Social Investment,” in which the AFE in Colombia is involved in, is an effective collaboration **initiative centered around the Sustainable Development Goals (SDGs).**

Developing replicable models

The region is an explosion of social innovation due to the fact Ibero-America / Latin America has not had real welfare states.

They are renowned examples like the model “Como Vamos - How are we doing” developed by the Corona Foundation. This is a support model for micro-businesses developed by the Carvajal Foundation and Accelerated School, which had an important platform for its development in Brazil.

The biggest challenge facing the region is not the creation of innovations, but the processes to bring them to scale and generating creative copies of them.

Foundations, and especially those of corporate origin, have **“little appetite for risk”**, despite having the ideal conditions with which to experiment with new ideas.

The choice to create models is an aspiration, but it is not an effective result.

The main role that foundations could carry out is that of **“social innovation to illuminate new paths for society, rather than supplement or correct the shortfalls of government policy actions”**.

Advocacy in public policy

- **Advocacy in public policy is not a new strategy used by foundations.**
- **There are direct and indirect strategies.** The direct strategies are those where a foundation by itself or in alliance with other actors, seeks to influence policy. Indirect strategies are those when a foundation provides support through financial funding or gives technical support to CSOs so that they can influence policy.
- **There are strategies from the outside and from within.** The first are those that a foundation and its partners carry out around one of the spheres of power, without having a relationship with such a power. The second is when through an alliance or cooperation foundations seek to influence policy from within.
- In Colombia, there are various examples of advocacy in public policy. One recent example is the study, Behind teacher excellence. How to improve education for all Colombians, coordinated by the Compartir Foundation. In addition, the Luker Foundation takes part in Manizales Más (Manizales More), a group of public, private and academic actors who seek to have an impact on economic development in the city of Manizales, among many others.
- The main role of the Social Itau Foundation in Brazil is the **creation, development and dissemination of methodologies targeted towards improving public policy** in education and the evaluation of social projects.
- In Mexico, the issue of advocacy has gained much force in recent years. As in other countries, **education is the area where most initiatives have been developed.**
- In Argentina, there is an **important advocacy initiative in the field of education** - the Group Committed to Education Finance.
- Many organizations in the region view their role in advocacy as one that is not limited to advocacy work with the Government, rather that good design and implementation of **public policies requires strengthening the mobilization of citizens to achieve more sustainable processes of change.**



Public-private partnerships

- Foundations in the region know the importance of their work with the public sector. Today it is known that if there is no coordination with governments, resources are wasted and scale and impact is limited.
- The role of PSI is not one of substitution or replacing the Government, rather it is a complementary and collaborative role and one that involves advocacy in public programs.
- While Argentina has advanced the idea that social issues are a matter for the Government and that the involvement of the foundation sector is unwelcome, in Colombia there is more trust and greater openness to work together.
- Brazil and Mexico, for various reasons are in an intermediate position. Brazil, for the importance government social programs have gained in recent years in the fight against poverty and inequality, and in Mexico for the recent democratization and openness of the State towards working with civil society.
- Coordination between foundations and governments has been achieved at a greater extent at the municipal and provincial level, but at the federal level this has been a more complex process.

STRATEGIES TO EXPAND AND SCALE-UP THE IMPACT OF PSI

5.1 From projects in specific areas to regional development

Work in regional or local development is fertile ground for cooperation and collaboration. A growing number of foundations and companies have opted to participate in or support processes of regional development. In contrast to strategies targeted towards the support of individuals and organizations in specific issue areas, local development is a long-term strategy that looks to create conditions for joint projects between organizations and the leaders from a particular region and develop synergies through a common agenda constructed in a participative manner. In some cases, it is the result of previous work with specific organizations, which because of their level of maturity, seek to expand the scale and reach of their activities. In other cases, it is the result of a methodology that involves setting up a division through which to carry out activities at the regional and not organizational level (see Villar, 2007, pp. 20-30).

Some figures help illustrate the progress of this trend in the region. In Brazil, the BISC report says that one of the recent changes in the behavior of companies is the importance that regional development has gained. While in the 2011 report, 45% of companies had a regional objective in their programs, and by 2012, 71% did. Furthermore, the report says that a regional development focus is more pronounced in companies than in foundations. In the Comunitas report, regional development involves initiatives designed and implemented with a focus on a particular region, which involves the participation of different local actors and the integration of diverse actions. A high percentage (80%) of these local development initiatives of companies build their agenda of local development in a participatory way and 70% give priority to investment in programs that converge with public policies (Comunitas, 2012, pp. 40-41).

At the regional level, information from a survey conducted with members of RedEAmerica highlights local development and social investment in local initiatives as the two main strategies of foundations and companies to contribute to the development of sustainable communities. When asked which issues, in

their opinion, are currently inspiring companies in community relations, 48% of those surveyed said sustainable regional development, while 30% thought shared value creation with the community was a priority; both strategies related to local development. The same survey makes it clear that these strategies are part of a conception that goes beyond corporate philanthropy and which has become a key element in business strategy and sustainability or in CSR (Villar, 2012, pp. 11-12).

In the study of Mexican corporate foundations, there is an interesting and paradoxical fact. While, as made clear in the analysis of thematic areas, community and economic development have currently a low priority in foundation strategies (17% and 5% of foundations had programs in these areas). The main return expected by a company's foundation was local or sustainable development in the company's areas of influence. In 48% of cases this was the expected return, followed by a much lower 13% who expected an improvement on reputation for the company. (Villar, Butcher, Gandini and Sordo, 2014, pp. 72-73 and 113). One way to understand this paradox is to understand that local development is not a central focus in the strategies of corporate foundations in Mexico, but it is being positioned as something important, and there exists the aspiration to have it as a focus.

In Colombia, according to the AFE, there is an ever-growing awareness of the need for the private sector to carry out interventions at the regional level focused on strengthening local power, and as such, benefit institutions seen as a pre-requisite for achieving peace. This involves getting away from urban areas and supporting regional developments in partnership with local governments and communities that allow state actions to be complemented, which in some cases is minimal or even non-existent.

The trend of companies getting involved in local development is also contributing to a change in the way the relationship between the company and the community is laid out. For a company positioned as a promoter entity outside the community, acting with a regional development perspective will help it see itself as part of the community and as an actor that must interact and create collaborative strategies with others for regional development which involves everyone. This process is one of several that has been referred to as a Copernican revolution for companies, since they no longer feel that the outside world and communities revolve around them, but that companies are part of a community that must build agendas and local development plans in a collaborative way.

Another interesting implication of this focus on local development for companies and foundations, as was mentioned in some focus groups and interviews, is the strategy that supports projects in specific issues that become insufficient

in the short-term. A long-term and integral perspective for projects is necessary in regional development and in the creation of collective agendas, shared visions for the future of a region and coordination between actors. This perspective of coordination and collaboration between diverse actors implies linking projects to agendas, plans and programs with a greater reach, as well as the creation of institutional conditions in the region so the projects themselves are possible and their products are high quality. These processes go from capacity building, collaboration between actors, and the creation and management of knowledge to the creation of confidence and social capital. In this sense, as the director of a foundation said in an interview:

[...] a project tool as a “pre” tool, as a condition to start support, has many limits because it leaves many organizations and groups out of the processes, especially when dealing with local development. As an endpoint, a “post” tool in collaborative processes and associated management, is much more valuable. It is the expression of a coordinated vision and agenda.

The other key actor for processes of local development are community foundations as their territorial focus, their capacity to mobilize local resources and work around agendas produced by actors in the region are powerful conditions for local development. However, one cannot equate a community foundation with a local development focus. In a learning and discussion seminar on community practices with members of Comunalía, the alliance of community foundations in Mexico, it was clear that while a group of these foundations has a focus on local development to work with communities in the regions of intervention, another group of members from the network has other community development strategies. All the community foundations in the network share promotion and strengthening community leadership strategies, support capacity-strengthening processes for the organizations, and promote participation, deliberation, and empowerment, etc. However, these strategies are aimed towards local development, understood as integral work, with multi-themed agendas and coordination between different actors for the development of a region (Villar, 2014, pp. 36-43).

5.2 From issues to shared agendas

Alongside the strategy of regional coordination, there are great advances in the region with regards to coordinating issues. An important trend in recent years among the region’s social investors is the quest for joint strategies to promote collaborative learning, to overcome the issue of funding being dispersed and to expand the reach and impact of initiatives on specific issues. As in the processes of regional coordination, coordinating issues requires going from having shared issues to shared agendas and specific collaboration mechanisms.

One field where joint coordination has been fruitful in recent years is education. This has been facilitated by the high concentration of funds invested by foundations and companies in education, and in addition to the fact that education is an area in which there are important social agreements and is a pivotal issue for economic and social development. The Guide for Private Social Investment in Education, produced by the GDFE, clearly shows the importance of the challenge of joint coordination in this area and recommends ways to carry it out:

PSI still has big challenges and opportunities for improvement, especially with regards to its impact and scope at the country level. So far, in general terms, local social investment is not aimed at creating universal policies, but it acts in specific areas, in particular communities and is concentrated in areas where there is already prior knowledge.

Faced with this situation, the leading actors of PSI in our country understand that the time has come to build new dynamics: the first and foremost is to move from a model of individual actions to one of collective actions. Hence, the work presented in this Guide attempts to lay the groundwork for this new form of concentrated efforts, drawing on the experience of more than 20 organizations with vast experience in the field of education. Its goal is to help pave the way for future social investors and provide a concrete “roadmap” to address the Argentine Education System. Despite the complexities of this System, it constitutes a privileged area of focus both for foundations and for companies. (GDFE, 2012a, p. 14).

The challenge of coordination in education has been taken on by several countries in the region. Currently it is possible to find joint initiatives in education, ranging from the creation of multi-corporate or multi-actor foundations, programs shared by foundations and companies to the development of common agendas and movements around education. A good example at the regional level is the Latin American Network of Civil Society Organizations for Education (Reduca), which has 14 members, who:

[...] maintain a public and common commitment to actively participate and contribute with their Governments so that each and every child and young person in the region can fully exercise their human right to inclusive and quality education ... and it promotes among its members the exchange of experiences, the development of joint projects and the creation of a voice for regional mobilization and to influence public policies that seek to propose solutions to the major challenges in education in each country. (From: <http://www.reduca-al.net/nosotros>).

Reduca is not only a good example of regional coordination, but many of its members are an expression of institutional entities made up of a group of actors

and institutions promoting collaborative work around education. Reduca has multi-corporate foundations (Corporate Foundations for Education in Colombia, Business leaders for Education of Colombia, The Business leaders Association for Education in Peru, Business leaders for Education in Guatemala, Educa in the Dominican Republic, United for Education in Panama), multi-actor organizations (Everyone for Education in Brazil, Together for Education in Paraguay, Mexicans First in Mexico, the Nicaraguan Education Forum, Eduquemos / Let's get educated Education 2020 in Chile, Educar Project 2050), and foundations with experience in collaborative work (The Foundation for Educational Development in El Salvador, FEPADE, The Ernesto Maduro Andreu Education Foundation in Honduras, Faro Group in Ecuador)⁵⁴.

In the same field of education, one can also mention the example of “Let's Improve Guate” in Guatemala, a platform led by the country's business sector to generate processes of dialogue and set up a path for recommendations on priority issues for the country. “Together for Education” and the “Alliance for Nutrition” are two such initiatives. The first is multi-sectorial in which businessmen and women, trade organizations, foundations, international and local entities, academia and the media participate in, with the support of the Ministry of Education. They have proposed three priority goals for education: deliver 180 days of actual classes, have trained and competent teachers, and ensure that students learn. The “Alliance for Nutrition” is another multi-sectorial initiative during which the consultation process defined 20 priority actions for the development of interventions aimed at combating chronic malnutrition.⁵⁵

Another field where collaborative processes are taking place is in community development, in which there is widespread regional and national experience. As already mentioned, RedEAmérica is a renowned joint initiative in this area. In addition to collaborative learning, its members have developed funds and joint programs to support both grassroots organizations at the regional level (PorAmérica), as well as in several other countries (Colombia, Argentina, Brazil, Mexico, Peru). They share common aims, financial resources, support and monitoring strategies and produce shared knowledge.⁵⁶

The United Way network is another important example of joint coordination in the region. As with RedEAmérica and Reduca, this regional alliance draws from diverse processes of joint coordination at the national level and it is also part of a global network. In the case of United Way, the experience of coordinated social

⁵⁴ See <http://www.reduca-al.net/nosotros>

⁵⁵ See <http://mejoremosguate.org>

⁵⁶ See <http://www.redeamerica.org/Acciones/FondosyProgramas.aspx>

action in Latin America has initiatives that have been around for some years. For example, Voluntary Dividend for the Community is an initiative created in Venezuela in 1963, and by 1964 it already had 130 companies contributing to a common fund. With this fund, companies seek to have a shared platform through which to carry out social investment in diverse communities across the country. Other initiatives from other countries have joined the Venezuelan initiative, including: Walking Together Foundation in Argentina, United Way Brazil, Dividend for Colombia, United Fund in Mexico, United Way Chile, Walking Together Peru, The Corporate Association for the Development of Costa Rica, United Fund in Guatemala, United Fund Honduras and United Way in Panama. Currently, in addition to donor funding for communities, different members of the network have created their own programs aimed at community development.⁵⁷

At the national level in Argentina, the Civil Society Confederation was recently set up in 2012. Its mission is “to promote actions in pursuit of achieving the conditions needed to optimize the social role of social organizations, influence public policies of general interest, and to promote the creation of public goods and to strengthen institutional democracy.” One of its founders was the Group of Foundations and Corporations of Argentina (GDFA); the others are: the Federation of Argentine Foundations (FEDEFSA), the National Food Bank Network and the Social Sector Forum. Among the adherent members are Citizen Dialogue, Cordoba Environment Forum, the Federation of Non-Governmental Entities for Childhood and Adolescence of Mendoza (FEDEM) and the Patagonian Network of NGOs. The confederation has set up four working groups (legal, tax and employment; better education for everyone in Argentina, nutrition and hunger, and a federal agenda). These working groups promote priorities for action and common work agendas among the associates.⁵⁸

In Brazil, as has already been shown, the Network of Independent Funds for Social Justice was created with the participation of community foundations and funds for social causes in areas such as racial equality, gender equality and human rights.

In the first half of 2015, the “Platform for collaboration for philanthropy and private social investment post-2015” was launched in Colombia. This is a very interesting example of a public-private collaboration strategy around a global agenda, the Sustainable Development Goals (SDGs). Colombia is one of four countries selected to develop a pilot around this partnership.⁵⁹ The initiative arose from the United Nations System through the UNDP, the Ford Foundation,

⁵⁷ See <http://worldwide.unitedway.org>

⁵⁸ See <http://confederaciondelasociadacivil.blogspot.mx/>

⁵⁹ The other countries are Kenya, Indonesia and Ghana and it may be launched in other countries in the future.

the Foundation Center, Rockefeller Philanthropy Advisors, the Conrad N. Hilton Foundation and the MasterCard Foundation, with support from the Association of Corporate and Family Foundations of Colombia (AFE) as a local partner. In the words of UNDP's director in Colombia:

We find ourselves amid the transition towards the Sustainable Development Goals (SDGs) and a post-2015 Agenda, which will demand really effective and innovative schemes of collaboration if we are to successfully face the new development landscape, which still faces great pressure from natural resources, youth unemployment, the concentration of wealth worldwide and violence against women as a real economic factor [...].

In such a scenario, it is essential to identify collaborative actions that are truly transformative from philanthropy and private social investment. In 2013, the UN launched some spaces for dialogue, which have allowed one not only to recognize the contribution that this sector has had on development, but also the importance of having greater involvement in the design and implementation of the post-2015 Agenda. The SDGs represent a great opportunity because they are global objectives that touch us all and, as such, we must all work towards achieving them. This means it is necessary to find meeting points between philanthropy and private social investment, the government, the United Nations System and other actors, to create partnerships that really make a difference.⁶⁰

According to AFE's director, María Carolina Suarez, participating in this initiative as a local partner will allow the AFE and its associates:

[...] to work in a more effective and efficient way around the new global agenda for development that pivots around the Sustainable Development Goals. The Platform and collaborative work will allow those necessary links to be strengthened in order to create social change for which the AFE works towards ."

This platform has already been launched in Colombia, Ghana, Indonesia and Kenya, and will be soon launched in Brazil with GIFE's support.

5.3 The development of replicable models: another way to scale up PSI

Social innovation has become a highly relevant strategy with which to address key issues in the region. For example, the key focus of the recent Ibero-American Civic Meeting (October 6 and 7, 2014), a meeting of civil society

⁶⁰ For more detail about this this topic, see the report produced after the planning workshop event "Platform for post-2015 collaboration for philanthropy and private social investment in Colombia," March 12, 2015. Promoting leadership and commitment to philanthropy and private social investment (PSI) with the post-2015 agenda for Colombia.

networks and organizations to deliver recommendations to the Ibero-American Summit of Heads of State and Governments, was social innovation in education and culture for equality and inclusion. At the event, various social innovations were presented, developed by CSOs in the region and ones that have gained prominence on the national and international stage. Similarly, various strategies were shown to scale-up social innovation (via public policies, markets, South-South cooperation, building networks and facilitating cross-fertilization, etc.) In addition, proposals were recommended to governments to support innovation from civil society (Ministry of Foreign Affairs and Ibero-American Secretary General 2014, pp. 43-48).

At the Civic Meeting, the Social Affairs officer at ECLAC's Social Development Division and the director of the Experiences in Social Innovation in Latin America and the Caribbean Contest, which was organized by ECLAC and the Kellogg Foundation between 2004 and 2010, noted that the region is an explosion of social innovations because Ibero-America has not had real welfare states. As such, civil society has had to invent new and creative ways to solve problems that face them. But often governments and other civil society actors do not know about such innovations and they have not been replicated on a larger scale. In this regard, the Social Affairs officer suggested that the region's biggest challenge is not creating innovations but the processes needed to scale up innovations and create creative ways to replicate them. (Ministry of Foreign Affairs and Ibero-American General Secretary 2014, p. 24) .

It is known that important social innovations have been supported by foundations and have been replicated in several countries in the region, such as the model "How are we doing" developed by the Corona Foundation⁶¹, a support model for micro-enterprises developed by the Carvajal Foundation⁶², or Accelerated Schools that had an important scenario for its development in Brazil with the support of foundations.⁶³ But there is little information about the place social innovation has today on the agendas of foundations and companies, and there is no information about the funding allocated to support social innovation.

As was raised in the Meeting, an innovation is not the sudden onset of something new, but is the result of a long process, and often it is the accumulation of failed attempts and improvements that result in new solutions that can

⁶¹ See http://www.fundacioncorona.org.co/#/como_trabajamos/clasificacion_de_iniciativas/iniciativa/red_ciudadades_como_vamos

⁶² See Villar, R. La influencia de las OSC en la política para la microempresa en Colombia. En González Bombal, I. y Villar, R. 2003. pp. 117-172.

⁶³ See http://portal.unesco.org/geography/es/ev.php-URL_ID=16288&URL_DO=DO_TOPIC&URL_SECTION=201.html

change the direction of a process, the quality of a product or the method used to develop a project. In this sense, innovation implies risk, perseverance and the possibility of failure (Ministry of Foreign Affairs and Ibero-American General Secretary, 2014, p. 22). However, as suggested in the interviews and focus groups, foundations and especially those with a corporate origin have little appetite for risk, despite having the ideal conditions to experiment with new ideas. These ideal conditions are derived from what the DIS Foundation's director considers to be a fundamental characteristic of PSI, that is to have patient money, namely funds that can be invested in an innovative way and over the long-term because they are unattached to political pressures, to elections, or the demands of interest groups "(Carvajalino, G. in GDFE, 2009, p. 76).

Studies about corporate foundations in Colombia and Mexico merely touch on this issue. In both studies, questions were asked about the strategic objectives of foundations, and among the various response options (directly meet the needs of the population, strengthen capacity, influence public policy, etc.), one option was about creating replicable models. The percentage of foundations that responded positively to that option in Colombia was 77% (DIS Foundation and Foundation Promigas, 2012, p. 44), while in Mexico it was considerably lower (6.3%) (Villar, Butcher, Gandini and Sordo, 2014, p. 83).

Due to the nature of both studies, one can only infer from these results that the option of creating models is an aspiration, and is not an actual outcome in practice. Or, in other words, it is impossible to know whether or not the aim of developing replicable models has actually come about or if social innovations have been transferred. Though at least we know that in Colombia this aspiration is more of reality than in Mexico. And this is no small matter, if we take into account the words of Francisco Tancredi, ex-director at the Kellogg Foundation for America, who during the RedEAmérica Annual Congress held in Sao Paulo in 2012, suggested that the main role foundations could play is "social innovation to illuminate new paths for society, rather than complement or redress the deficits of government policies [...] and promote innovative models [...] nurture public policies and a raft of good practice" (quoted by DIS Foundation and Promigas Foundation, 2012, p. 46). In this field of promoting and replicating innovations, the associations of foundations will play a very important role in the future.

5.4 Public policy advocacy

Another strategy that has gained great force in the discourse among foundations is public policy advocacy as a strategy to scale-up and expand the impact of PSI. This strategy attempts to exert influence in some policy cycle stages (put an issue on the agenda, influence how a policy will be drafted, implemented,

monitored and controlled), and in any of these following areas (executive, legislative, judicial) and at any level (municipal, state, national) where policies are created. In general, this strategy involves joint collaboration and coordination mechanisms among those organizations involved in the initiative.

Public policy advocacy is not a new strategy of foundations. In a book about the impact of CSOs in Latin America, one of the selected cases was a policy for micro-enterprises and the development of the National Plan for Micro-enterprises, developed in Colombia in the mid-1980s with the active participation of an extensive group of foundations in the country, and based on a model developed by the Carvajal Foundation (Villar, A. González Bombal, I. and Villar, R. 2003: 117-171). But this issue of advocacy, which was little talked about two decades ago, is currently part of the discussion agenda at PSI events and is a strategy that a large number of foundations have.

In a recent guide for foundations, RedEAmérica and the DIS Foundation produced a good way of classifying the options that these organizations can have in the field of advocacy. On the one hand, the guide suggests that there are direct and indirect strategies. Direct strategies are those when a foundation, alone or in partnership with other actors, seeks to influence policy. Indirect strategies are those when a foundation provides supports with financial or technical resources to CSOs so that they can influence policy. On the other hand, the guide suggests that there are strategies from the outside and from within. The first are those that the foundation and its partners carry out around one of the spheres of power, without having a relationship with that particular sphere. The second strategy is through a partnership alliance or cooperation that seeks from within to influence policy. These four categories form a matrix and thus produce a number of combinations and options for the two axis (direct / indirect, outside / inside). The guide shows examples of each option, many from foundations in the region (Florez and Cuéllar, 2012, pp. 11-16) (some of these examples are described later in this section).

As with the issue of innovation, there are important advocacy processes supported by foundations but there is information about the importance of this strategy in the PSI world, and even less is known about the funds that are invested in this strategy. There is only information from the two studies on corporate foundations, where one of the response options about the strategic objectives of foundations was to influence public policy. The percentage of foundations that responded positively to that option in Colombia was 77% (DIS Foundation and Foundation Promigas, 2012, p. 44), while in Mexico it was considerably lower (6.3%) (Villar, Butcher, Gandini and Sordo, 2014, p. 83).

In Colombia, there are several examples of advocacy in public policy and there is increasing interest among corporate and family foundations to design and

implement programs or studies aimed at shaping public policy. One recent study, “Behind teaching excellence. How to improve education for all Colombians,” was coordinated by the Compartir Foundation and produced jointly by the Los Andes University, the Rosario University, the Dornsife Center for Economic and Social Research, the University of Southern California and the RAND Corporation. This study was widely disseminated and discussed in the country in forums and in the media and it has been taken up by the Government to design its policies.⁶⁴ The study contains an analysis of national and international evidence from which recommendations are made for education reform in Colombia. This includes five strategic focus areas to improve the quality of education that center on the teacher: pre-service training, selection, evaluation for continuous improvement, service training, and teacher salaries and recognition.⁶⁵

Likewise, the Saldarriaga Concha Foundation in Colombia participated in the drafting of Law 1618 of 2013, which opened the doors to guaranteeing the rights of people with disabilities. Furthermore, the law also makes it clear that disability is not the responsibility of a single entity but requires shared responsibility among all national and local actors to remove barriers to inclusion. “It takes intersectoral coordination to guarantee people with disabilities can fully exercise their rights and the integral development of their abilities,” says Soraya Montoya, the foundation’s executive director (taken from: <http://www.saldarriagaconcha.org/>)

The Alpina Foundation, through the projects it has built in different regions of Colombia and a network of experts in diverse issues related to food and nutrition security, has developed innovative proposals, methodologies and useful knowledge for government agencies at the local, regional and national level (Executive Director’s Management Report, 2011).

In the same way, Colombia’s Exito Foundation, in partnership with the national and local governments, focuses on coordinating and bringing forward technical knowledge, which allows public policies to be jointly coordinated, as

⁶⁴ It is worth citing the words of Colombian President, Juan Manuel Santos, speaking at the presentation of the Sharing with teachers Award 2015, when he highlighted the contribution of the Compartir Foundation in the study: “It is clear that teachers should be leaders in education reform and this was also reiterated in the study, “Behind Teacher Excellence,” by the Compartir Foundation, research that has guided and reinforced what we are advancing on in the Government and at the Ministry of Education. For example, it is clear that one of the points we need to work on in is the pre-service training of our teachers. This is an urgent need: of the 826 programs on education, only a third are found in universities that have a high quality accreditation, and less than 5% of programs are accredited. In this regard, we are going to take a great leap forward as the National Development Plan has just been approved by Congress, making it obligatory for all faculties in education to have a high quality accreditation. In addition, we are going to transform the ways in which teaching degrees are awarded ...”

⁶⁵ See <http://fundacioncompartir.org/index.php/fundacion/41>

well as raising awareness and mobilizing funds destined to eradicating child malnutrition in Colombia by 2030.

Also, the Luker Foundation in Colombia participates in “Manizales More”, the sum of public and private actors and academics who seek to have an impact on the economic development of the city of Manizales by strengthening necessary conditions (an entrepreneurship ecosystem) to create companies and allow them to grow. Currently, the Chamber of Commerce in Manizales for the Caldas province, the Autonomous University of Manizales and the Secretariat for Competitiveness at the Mayor’s office of Manizales, led by “Manizales More”, are identifying the difficulties that face companies in order to grow in terms of regulations and the legal environment.

The Itaú Social Foundation in Brazil has as its main activity the design, development and dissemination of methodologies aimed at improving public policies in education and the evaluation of social projects (Matthias, 2013, p. 132). The “Melhoria da Educação no Município” program was created in 1999 to work with diverse actors at the municipal level involved in education management. These actors are trained to make a diagnosis of a local situation and to develop a municipal education plan. The development process of the plan is participatory and is aimed at widening the debate and mobilizing society on educational issues. Since its creation, this program has been implemented in 1027 municipalities in 17 states in Brazil.⁶⁶

In Mexico, advocacy has gained much force in recent years. Like in other countries, education is the area where most initiatives have been developed. Education reform approved in 2014 had important input from CSOs, especially by Mexicanos Primero / Mexicans First, one of Reduca’s partners.⁶⁷ Following on from the Legislative Reform, “Ojo Citizen”, was created. This is an initiative promoted by 96 organizations, aimed at monitoring and controlling the implementation of the Education Reform passed by Congress. Among the organizations that make up “Ojo Citizen” is Cemefi and several other foundations.⁶⁸ In other fields, such as malnutrition and especially breastfeeding, entities like ‘A Kilo of Help’ stand out, as does the Mexican Foundation for Health for their efforts in influencing public policy in health issues.⁶⁹

Also in Mexico, the organization Alternatives and Skills, is an entity dedicated to strengthening CSOs and promoting social investment. Recently it created the

⁶⁶ See <http://www.fundacaoitausocial.org.br>

⁶⁷ See <http://www.mexicanosprimero.org/>

⁶⁸ See <http://www.eljocidadano.org/web/>

⁶⁹ See <http://www.unkilodeayuda.org.mx> y <http://portal.funsalud.org.mx/>

Citizen Academy of Public Policy, which has three lines of work: training, research, and strengthening advocacy processes among people and civil society organizations⁷⁰. Before the Academy was created, Alternatives and Skills produced the useful Manual for Advocacy in Public Policy (Tapia, Campillo, Cruickshank and Morales, 2010).

In Argentina, there is an important advocacy initiative around the issue of education led by the Commitment to Education Financing Group. This is a network of civil society organizations, which have as their main objective “to generate informed dialogue and consensus to guarantee adequate investment in education and ensure that it is fairly distributed and used efficiently.” Its members are: the Luminis Foundation, Foundation SES, the Social Sector Forum, Consciencia, CIPPEC, Caritas Argentina and Cimientos. To develop its work, the group produced an instrument to measure funding called the barometer of educational funding, which consists of eight indicators that reflect the efforts made by regional provinces in terms of the budget spent on education.⁷¹ This tool provides useful information available to the public about funding in education in order to contribute to a better discussion and decision-making on this issue.⁷²

Another entity in Argentina, Arcor Foundation, widely recognized for its work in education, has its mission as “contributing to make education a tool for equal opportunities for childhood.” To develop this mission, the entity has developed two related institutional strategies: knowledge management, and mobilization and advocacy. The first strategy seeks to “produce and share theoretical and methodological knowledge that contribute to equal educational opportunities.” The second seeks to “contribute to putting on the public agenda the importance of working in favor of equal educational opportunities for childhood.” In those municipalities where the Arcor Foundation works, it has a focus on joint management that seeks to mobilize all the actors involved in educational areas (families, schools, the State, grassroots organizations and companies) to discuss the main problems in education at the local level, prioritize them and develop plans and projects to solve problems. Since 2005, at the national level, the foundation has sponsored the Argentina Network for Boys and Girls (RedOnda), which brings together different organizations in the country working around the issue of childhood. The network’s mission is to

⁷⁰ See <http://www.alternativasycapacidades.org/incidencia-politicas-publicas>

⁷¹ The indicators are: 1) spending on education compared to total spending 2) changes in spending compared to the previous year, 3) investment made per student compared to financial resources spent per person of school age, 4) changes in this indicator in comparison to the previous year, 5) changes in real wages, 6) changes in enrolment rates in the state education, 7) information available about how the school sector is financed.8) to what extent the education finance law is being complied with.

⁷² See http://www.fundsdes.org.ar/tem_financiamiento_educativo.html

“set the issue of childhood on the public agenda and influence policies aimed at this sector of the population.”⁷³

Like the Arcor Foundation, other organizations in the region believe that their advocacy role is not limited to advocacy with the Government, but it also involves the good design and implementation of policies that require the strengthening of citizen mobilization to achieve more sustainable processes of change. One initiative along the same lines is the Media and Poverty Consortium in Chile. This is an alliance between America Solidarity, Overcoming Poverty Foundation, Christ’s Home, the Diego Portales University and the Avina Foundation, which developed a strategy to have an impact on editors, media executives and journalists, and change the way they address the issue of poverty in Chile. One way to do this is through the Award called “The poor one is the one who doesn’t change his look,” which each year highlights the work of those journalists and media who distinguish themselves in their ethical approach towards poverty (www.comunicacionypobreza.cl).

5.5. Public-private partnerships: a strategy established in the foundation world

In the late 1990s, great interest in promoting intersectoral collaboration in the region arose. The Alliance for Poverty Reduction Program in Latin America and the Caribbean, aimed at promoting cooperation between governments, business and civil society to reduce poverty, was a key catalyst for analysis and promoting partnerships in the region. This program was co-sponsored by the World Bank’s Economic Development Institute, the United Nations Development Program and the Inter-American Foundation (see Fiszbein and Lowden, 1999). Several foundations were involved in partnerships and initiatives and some created long-term programs to analyze and promote partnerships. This was the case of the Corona Foundation in Colombia, an organization that together with the World Bank, the UK Department for International Development, and a significant network of universities, analyzed for more than a decade partnership initiatives and produced manuals, guides and cases studies on the issue, which helped to create a conducive environment for this type of collaboration (see Crown, 2004 Foundation, Corona Foundation and World Bank, 2002).

After years of experimentation, analysis and debate about partnerships, one can say that for the region’s foundations the importance of working with the public sector is now in place and that in some ways, as stated in an interview, “the prejudice towards working with Governments disappeared. Today we know

⁷³ See <http://www.fundacionarcor.org>

that if there is no coordination with Governments, funding is wasted, and the scale and impact is limited.” As the president of Mexico’s A Kilo of Help says:

We are convinced that no systemic change can be achieved if there is no co-participation between the government and non-governmental sector. And that’s what defines in some way what should be a public-private partnership for development (PPPD). Co-participation not only involves investment but in forming a mission, vision, responsibilities, and a commitment to funding. For us at A Kilo of Help a deliverable cannot be obtained - and in our case the most important deliverable is to eradicate child malnutrition - if there is no public-private partnership. (Social Promotor Mexico and the Cideal Foundation, 2013, p. 83).

PSI actors have also recognized that their role is not to substitute or replace the Government but their role is a complementary one, and one of collaboration and advocacy in public programs. Several foundations started their activities with replacing the State, as a way to guarantee access to public services for the populations with whom they worked with. For example, they built and took over the management of schools, hospitals. Although this varies between different countries (see section 4.6), the trend now among foundations is to reduce this role of direct attention and that of replacing the State.

While if it is true that in general among the region’s foundations there is awareness about the importance of collaborating with the government, doing so depends not only on the foundations but also on the political system and the view that governments have of the role of the private sector and CSOs in the management of public affairs. PSI does not work in a political vacuum; the social and political context affects it. The extent of nationalization or the openness of working with the private sector plays a decisive role in the possibility of forming public-private partnerships with foundations around social issues. And regarding this there are currently a wide range of contexts in the region.

In general it can be said that while Argentina has pushed forward the idea that the social is a Government matter and that the participation of the foundation sector is not so welcome, in Colombia there is a greater openness in working together on social issues and the institutional environment is more conducive to the formation of public-private partnerships. Brazil and Mexico, for different reasons, are placed in the middle of this continuum. Brazil, for the importance government social programs to combat poverty and inequality have gained in recent years, and in Mexico, because of the recent democratization and openness of the State to work with civil society. This is explained in more detail below.

In Argentina, on the one hand, there is the Agencies of Corporate Social Responsibility created at the national, regional and municipal level, and on the other hand, progress in what could be called the nationalization of public

services/the nationalization of what is public. The Agencies of Corporate Social Responsibility are institutions created by the State to jointly coordinate Government projects with the private sector. These agencies are the result of a State policy promoted by Argentina's Sub-Secretariat for Social Responsibility, which were incorporated into the portfolio of the Social Development of the Nation.

Based on interviews with foundation directors and teams, it appears that joint coordination between foundations and Governments has been achieved to a greater extent at the municipal and provincial level, but at the federal level this has been more complex. According to a foundation director,

[...] At the local level, for the government an alliance with the private sector and foundations represents more benefits than costs. At this level, foundations are viewed not only as sources of funding but as experts in issues and are valued for their know how in specific issues or for their ability to develop collective action and organize communities.

During the interviews, two reasons were mentioned regarding the difficulty for foundations to jointly coordinate with the Government at the national level. One reason is that when a Government approaches foundations, this is done more with the aim of seeking economic resources rather than knowledge, talent and methodologies on social issues that can enrich the design of public policies and public programs. The second reason, closely related to the first, is the existence in the political narrative of what has been called the nationalization of what is public, described by a foundation team member as being the idea that "the responsibility for the public and social corresponds to the State, which is the guarantor of rights and is responsible for social issues." According to the person interviewed, that narrative has led various Government officials, particularly at the national level, not to value the private sector's role and, in particular, the role foundations can have in the field of public and social policies, and from that point of view this does not open up enough space for public-private partnerships.

In contrast in Colombia, although public-private partnerships are not a new phenomenon, in recent years these types of partnerships have become a very widespread strategy in the foundation world and are welcomed by the national Government. According to the AFE, and something that was reiterated by participants in the focus groups, there is now an awareness of that we can't do it alone, as seen in both the Government and foundations. The Government has changed its way of understanding the role of foundations. Before, it saw them as a source of economic resources, but the Government is becoming ever more open to harnessing the talents and experience gained in this sector and to build programs together.

In Colombia, this openness of the government and foundations to work in partnership has led to models, tools and instruments being created that facilitate this way of working. Among them, is one introduced by Colombia's Ministry of National Education (MEN) in 2014, which is the "product of experience gained in the implementation of projects with more than 90 partners during the current four-year period" (MEN, 2014, p. 10). This model is laid out in a manual that contains a methodology or path for the preparation, planning, consolidation, strengthening, evaluation, transfer, monitoring and communication among the partners, as well as a legal, contractual and financial framework to facilitate work in partnerships (MEN, 2014, p. 10).

Among the tools used to facilitate partnerships in Colombia, the Information System for Private Investment in Education (SIIPE), and the Social Map stand out. SIIPE was developed by the Foundation for the Advancement of Antioquia (Proantioquia), which was subsequently handed over to the Businesspeople for Education Foundation. The System allows information to be made available to the public about initiatives by private organizations to facilitate decision-making regarding social investment in education, promotes interventions in Colombia's regions in an organized way, and seeks investments that are consistent with the priorities of educational institutions and educational policies.⁷⁴ It is hoped that SIIPE will contribute to overcoming a common problem found in PSI, which is the duplication of efforts and intervening too much in institutions or in certain regions of a country.

The Social Map is another important information tool for the design of public-private partnerships in Colombia. It was designed by a government entity, the Department of Social Prosperity, which has developed a number of projects in partnership with foundation. It is a virtual platform with georeferenced information on poverty indicators, the supply and demand of social projects and successful case studies. The map aims to encourage synergies between public and private actors, to create projects with greater impact and strengthen the efficient use of funding/resources. One aspect worth highlighting about this initiative is that the AFE is responsible for providing information about projects from their associate foundations - currently 61 -, which ensures quality and the updating of this information.⁷⁵

This overall favorable context has also allowed that in Colombia today there is a public-private partnership on the scale as seen in the 'From Zero To Always' program. This is the National Strategy of Integral Attention for Early Childhood,

⁷⁴ See <http://www.siipe.co/>

⁷⁵ See <http://mapasocial.dps.gov.co/>

which seeks to join public and private sector efforts, those of civil society and international cooperation in support of early childhood in Colombia. It also seeks to create a sustainable environment at the national and regional level, with activities targeted towards technical assistance to implement integral care for this sector of the population in Colombia's provinces, the management of knowledge with a differential approach, the training of education and social actors and the respective following and monitoring of projects. An extensive group of public entities are involved in the issue of childhood,⁷⁶ international agencies⁷⁷, as well as national and international foundations.⁷⁸

To develop this strategy, consultative and decision-making bodies have been set up, as well as technical coordination and joint management bodies, mechanisms for the contribution and administration of the financial and technical resources of each of the participating entities, agreements to formalize partnerships, and of course a plan and joint phases for the development of the activities. The main objectives of this strategy are: 1) to strengthen the technical capacities of institutions and national and regional actors who are responsible for the development of boys and girls during their early childhood; 2) to strengthen local authorities, management capacity and the implementation of public policy for early childhood; and 3) to strengthen the processes of knowledge management, social mobilization and sustainability related to early childhood integral care.⁷⁹

Despite the great progress made in setting up public-private partnerships in Colombia, the participants in the focus groups in Colombia highlighted various challenges. One challenge, at the legal and contractual level, is that the public sector has inflexible schemes that complicate the formalization of partnerships, especially when economic resources are involved. Many partnerships that are drawn up according to a partner relationship scheme end in agreements involving an asymmetrical relationship between the government and providers.⁸⁰

⁷⁶ Presidency of the Republic of Colombia, the Ministry of Health and Social Protection, the Ministry of Education, the Ministry of Culture, The National Department of Planning, The Department of National Prosperity and the Colombian Institute of Family Welfare (ICBF), the National Agency for Overcoming Extreme Poverty, the Government of the Antioquia Department, the Special District and Port of Barranquilla.

⁷⁷ United Nations Children's Fund, International Organization for Migration (OIM)

⁷⁸ Saldarriaga Concha Foundation, Éxito Foundation, Bancolombia Foundation, Carvajal Foundation, Corona Foundation, Caicedo González Foundation, Smurfit Kappa Foundation in Colombia, Restrepo Barco Foundation, Mario Santodomingo Foundation, Genesis for Childhood Foundation, Plan Foundation, SOS Children's Villages Corporation, We are More Corporation, World Vision International.

⁷⁹ See <http://www.decerosiempre.gov.co>

⁸⁰ A good example of such a case is the Build-T Program in Mexico, in which CSOs participated in initially as partners in the design and during the first phase of the program. But during the program's implementation, CSOs ended up being service providers for the Secretary of Education (Verduzco y Tapia, 2012, pp. 18-22).

Furthermore, the need for the annual renewal of government funding creates constraints in terms of structuring partnerships over the long-term.

Another point mentioned in focus groups by several participants of the foundations, related to the fact that in many cases the alignment of foundations with public policies has limited the crucial independence they have in relation to governments.⁸¹ As what has happened with other types of CSOs, some foundations have become more operators of public policies rather than independent partners that add value to policies.

In Brazil, the progress of government social programs to combat poverty and inequality and the significant increase in public investment have changed the landscape for PSI. “Unlike previous decades, the State began to take on the role of a promoter of social development, which implies rethinking its relationship with organized civil society. This is because today many public policies under development are being implemented in partnership with social organizations, while also at the same time take on a leading role in auditing and the monitoring of activities. For some people, this is about the consolidation of an open space and dialogue for the actors; for others, this dynamic involves a departure and even involves a dynamic of co-opting organizations and social movements by the State” (Lessa and Hopstein, 2013, p. 133).

In this context, in Brazil there are important examples of partnerships between foundations and the government but this appears not to have the same force as it does in Colombia. Table 10 shows several elements that justify this affirmation. While in Colombia, 82% of foundations develop their work through partnerships with the Government, this figure is 59% in Brazil. In Mexico, the figure is 54% for partnerships at the national level, 79% at state level and 73% at the local level. In Argentina, this figure is 73%, but it appears based on the interviews conducted in the country that most of the partnerships take place at the local level.

Other relevant data is the importance of partnerships with Governments in relation to the percentage of partnerships foundations have with other actors, and only Colombia has the highest percentage that corresponds to partnerships with the Government. In Brazil, Mexico and Argentina, CSOs are the main partners of foundations. What is common among all countries is that the lowest score relating to the evaluation of types of partnerships is related to those

⁸¹ A process of collaboration that is currently taking place among a group of foundations that work in housing projects with the Government is an interesting case. When they were discussing how they were going to collaborate, the foundations had a critical view of the Government program and they put forward ideas to do with having sustainable communities, which previously did not exist, in the housing program.

partnerships with Governments when compared to partnerships with other actors (CSOs, other foundations, academia, etc.) This is very likely due to the difficulty such partnerships with governments imply. (Villar, Butcher, Gandini and Sordo, 2014, pp 89-90;. DIS Foundation and Promigás Foundation, 2012, p 49;. Comunitas, 2013, pp 51 and 62.). This shows that, despite progress made in establishing public-private partnerships in the region, there is still much room for improvement.

In other countries in the region, changes in the political system have also strongly influenced the dynamics of partnerships. It is worth mentioning the case of Venezuela because of the changes that have occurred there. The nationalization of what is public, which was referred to earlier, carries strong weight in Venezuela. There are diverse State strategies that capitalize on the role of the State as one that promotes and implements policy in the social sphere, reducing the margin of voluntary action and interest in public-private partnerships. The nationalization and expropriation of private companies, as well as regulations on social investment and social activities by a company, are an expression of the process of nationalization.

Partnerships between the Government and foundations or companies, or tripartite partnerships between the Government, business sector and communities, started to become important in the corporate and foundation world during the last decades of the 20th century. A good example was “Put your heart into your school,” which was a partnership between the Banco Mercantil Foundation and the Venezuelan Ministry of Education’s School Buildings and Provisions Foundation (FEDE). This partnership lasted 30 years and was recently suspended. The program currently continues, with the Venezuelan State no longer a partner but instead the Faith and Happiness Organization is a partner (Mendez, 2008, pp. 231-235 and Mendez, 2015, p. 5)

In Venezuela, during the XXI century, laws have been created requiring companies to make social contributions and the amount companies contribute as a percentage of their annual income have also been set up, including contributions to drug prevention programs, science and technology and sports. Other regulations are not binding but aim to lead and promote contributions to social issues, as is the case of child, adolescent and youth protection. Despite such pressure, there are various foundations in Venezuela that continue to have a very active role in the social sphere and are exceptional because they have maintained partnerships with the Government, like is the case of the “Youth Festival” and “Choir Festival” programs, which are the result of a more than a 10-year partnership between Bancaribe Foundation, the State Foundation, the National System of Youth and Children’s Orchestras of Venezuela (FESNOJIV), today known as the Simon Bolivar Musical Foundation) (Mendez, 2015 , pp. 2-5).

TABLE 10 Percentage of foundations that have partnerships with governments, classifying partnerships and the importance they have in relation to partnerships with other actors

| | Mexico | Brazil | Colombia | Argentina |
|--------------------------------------|---|--|--|---|
| Partnerships with governments | <p><i>Corporate Foundations</i></p> <ul style="list-style-type: none"> Local: 73,4 % Estate: 79,3 % National: 54,7 % | <ul style="list-style-type: none"> Institute: 59 % Company: 65 % | <p><i>(Information from Promigás – DIS):</i></p> <p>Corporate Foundations</p> <ul style="list-style-type: none"> Develop their work through public-private partnerships: 82 % 91 % interact with Governments | <ul style="list-style-type: none"> Fundations: 73.1 % (2nd place. 1st place CSOs) |
| | <p><i>Ranking of government partnerships in relation to other types of partnerships</i></p> <ul style="list-style-type: none"> In fourth place. (First with SCOs, second with academia and third with other foundations) | | <p><i>Ranking of government partnerships in relation to other types of partnerships</i></p> <ul style="list-style-type: none"> In first place. (Second with other foundations; third with academia, and fourth with NGOs) | <p>Companies:</p> <ul style="list-style-type: none"> With governments: 47,1 % <p><i>Ranking of government partnerships in relation to other types of partnerships</i></p> <ul style="list-style-type: none"> In fourth place. (First with CSOs, second with other foundations, third, with other companies) |
| | | | <p><i>Information from AFE:</i></p> <p>About affiliates</p> <ul style="list-style-type: none"> Carry out projects in public-private partnerships: 74 % Number of projects with a public-private partnership: 314 | |

SOURCES: Villar, Butcher, Gandini and Sordo (2014, pp. 89-90); Comunitas (2013, p. 62); DIS Foundation and Promigás Foundation (2012, p. 49); AFE (2015, p. 18); GDFE and RACI (2012, p. 34).

To close this section, it is worth including a comment that was shared quite a lot during the interviews and focus groups, since it appears to clearly reflect the way a broad group of foundations, especially corporate foundations, behave. It was said that while there is increasing awareness about the importance of aligning foundation programs with public policy, and that public-private partnerships have increased, foundations also need to take a critical stance in relation to policies in order to transform and enrich them. There seems to be a greater willingness to collaborate with governments than to develop mechanisms that act as a counterweight. And as will be seen in the next section, this last point is a major challenge for the future of PSI.

6

PSI AND ITS RELATIONSHIP WITH SOCIETY CIVIL ORGANIZATIONS

Changes in funding flows

- The increase in public funding for social programs and the partial withdrawal of private international cooperation has significantly contributed to a change in the ecosystem of Civil Society Organizations (CSOs).
- In the 1980s and 1990s, a large group of CSOs played a political role and one in social transformation, which led to the growing phenomenon of CSOs as *operators and service providers and the expansion of a contract culture*.

Foundations operate their programs

- Foundations that operate their programs dominate in the main type of foundation found in the region: mixed or hybrid foundations, which combine giving donations with the development of their own programs.
- Community foundations in Mexico combine, to various degrees, donations with their own programs, but we do not have more specific data about this.
- In Brazil, according to GIFE's survey, family, independent and community foundations (FIC) also combined donations with the operation of their programs.



Attribution of programs

- The origin of foundations directly operating their own programs ranges from the historical weight given to charities when they were involved in direct action with the poor to the recent mistrust foundations have towards CSOs.
- Currently, one important factor is the idea found in all of the definitions of PSI, which is that **funding for social investment is not limited to financial resources**, but it also includes experience, knowledge, management tools, time etc.
- Being involved in guiding programs often leads to **CSOs becoming operators more than co-creators**.
- The ability to take credit for the results of their own program and to have the chance to control it, is for many a better strategy than giving support to CSO programs.
- "With CSOs the return is low and the cost is high and what is of interest is how effective an investment is."

Strengthening CSOs

- CSO strengthening programs **have had difficulties in getting local funding**.
- Another important change that ended up having an impact on the relationship with CSOs was the strategy adopted by a number of foundations to **prioritize direct support to grassroots organizations**.
- In Mexico, there are strengthening or empowering entities that offer technical assistance and funds for capacity building. They have local partners or development partners; currently a number of those institutions dedicated to strengthening processes continue their work. Corporate foundations don't have this on their agenda.
- In Brazil, with the withdrawal of international cooperation, **CSOs connected with government funds**, which have significantly increased. CSOs became operators or implementers of social programs. Corporate foundations and institutes have dedicated limited funding to CSOs.
- It is important to **generate greater debate about the importance of having a more dynamic civil society** in the region for democracy and inclusive development.
- "PSI should contribute to the development of counterweights in the political system and to civil society, with the ability to put forward new issues on the agenda."

PSI AND ITS RELATIONSHIP WITH CIVIL SOCIETY ORGANIZATIONS (SCOS)

The relationship between PSI and Civil Society Organizations (CSOs) has undergone significant change in recent years. Various factors account for these changes, including changes in the flow of government funding and international cooperation in the region, the increasing importance given to the operation of programs between foundations, the emphasis on supporting projects with measurable results and short-term projects, the increasing importance strengthening management and administration in the processes of strengthening has gained, as well as the direct attribution of projects by foundations. These factors are analyzed below.

6.1 Changes in funding flows

The increase in public funding allocated for social programs and the partial withdrawal of private international cooperation from countries in the region are two factors that have significantly contributed to a change in the institutional architecture and the ecosystem in which CSOs operate in. These factors have also contributed to a transformation in the role of CSOs. In general, it can be said that the political role and the social transformation of a broad group of CSOs during the 1980s and 1990s have given way to the growing phenomenon of CSOs as operators and service providers and the spread of a contract culture.

The first decade of the XXI century, as seen in the background chapter, was a period of increasing public investment in social programs. This increase translated into CSOs having a greater participation in the implementation of public policies, but paradoxically as CSOs became closer to public policy this coincided with a change about the role of CSOs. From being key actors in political transformations and public agendas, many CSOs became contractors and service providers, and those that implemented state programs (Mendonça, Aquino and Nogueira, 2013, p. 38). This change was reinforced by the partial withdrawal of international private cooperation in key fields such as human

rights, the democratization and strengthening of civil society, which has been a world in which CSOs have played a crucial role during the last two decades of the XX century. PSI at the national level, as will be discussed below, has not filled the gap left behind by international cooperation; on the contrary, it has contributed to replacing the operating role of CSOs.

6.2 The predominance of programs run by corporate foundations

Unlike the United States, where grantmaking is the main strategy in the foundation world, in Latin America, the operation of programs predominates. The latter does not mean operating foundations take precedence but the type of foundation that predominates in Latin America is the mixed or hybrid foundation, which is to say a type of foundation that combines awarding grants / donations with the development of its own programs. As can be seen in Table 11 about corporate foundations, the percentage of foundations that only finance or only operate is considerably lower in Brazil, Colombia and Mexico, compared to those that both finance and operate programs. This mixed type of foundation is the one that predominates.

However, when the percentage figures for those foundations included in the only operate category are added to the foundations that both operate and finance programs, that is say, when attempting to get an understanding about the importance the operation of programs has in the foundation world, it can be noted that in Brazil and Colombia this group of foundations is proportionately higher than those foundations that award grants / donate. That is when those foundations including in the category of just financing foundations are added to those figures relating to foundations that finance and operate. Only in Mexico, is the percentage of the total of foundations that award grants / donations higher than the total of operating foundations.

TABLE 11 The way corporate foundations operate by country

| | Brazil | Colombia | Mexico |
|---------------------------------------|--------|----------|--------|
| Only operate programs | 31% | 30% | 11% |
| Only finance programs | 5% | 6% | 28% |
| Operate and finance programs | 62% | 64% | 61% |
| Total number of donors | 67% | 70% | 89% |
| Total number of operating foundations | 93% | 94% | 72% |

SOURCE: Data from Brazil taken from the GIFE Census, 2011-2012 (p. 35). Data about Colombia is from the DIS Foundation and Promigás study (2012, p. 47). Data about Mexico is from the Villar, Butcher, Gandini y Sordo (2014, p. 76) study.

The mixed characteristic, referring to those foundations that both operate and finance programs, is used for other types of foundations. It is known that community foundations in Mexico combine, to varying degrees, donations with their own programs, but there is no more specific data about this (Villar, 2014). In Brazil, according to the GIFE census, family, independent and community foundations (FIC) also combine donations with the operation of their programs (GIFE, 2013, p. 35). This census allows one to compare the way foundations operate according to the type of foundation, with Brazil being the only country that has information about this. What is interesting to note is that the operating role is lower among FICs than among its corporate counterparts. If figures relating to foundations that only operate are added with foundations that both operate and finance, i.e. all those foundation that operate, the percentage is higher among FIEs (93%) than among FICs (72%). The proportion of foundations that are only grantmakers / donate is considerably higher among FICs (28%) compared to FIEs (5%). However, if you add those foundations that donate / award grants and operate with those that only donate, the proportion is higher among corporate foundations (67%), than among FICs (59%) (GIFE, 2013, p. 35).

Based on the data we have about Brazil, it seems that while companies transfer more funding to CSOs, the trend is to have these organizations as operators. According to Anna María Peliano, coordinator of the BISC research analyzed earlier, and research with the Institute of Applied Economic Research (IPEA),

[...] The latest national research by IPEA on social action by companies in Brazil, showed that only 3% of companies in Brazil say they directly implement their projects. The vast majority are awarding grants / making donations directly to communities or to social organizations. In so far as companies grow, their profile changes: companies create institutions to directly implement their projects, but they continue to make most of their investments directly. 59% of funding is invested by companies, and the remainder by foundations or institutes [...]. Now that companies are getting more involved in projects, they will continue to transfer funding. But the trend is that a project is increasingly one that belongs to a company. The company designs, selects, and supports a project but it hires someone to implement it because a company often does not have a functioning body and or expertise to do so. Institutes tend to implement more projects directly. (Mendonça, Aquino and Nogueira, 2013, p. 226).

But what does this characteristic about how foundations operate have to do with how PSI relates to CSOs? Perhaps the main implications are: 1) the low percentage of funding invested in financing projects of civil society organizations and 2) the transformation of CSOs as operators of foundation projects. While in the English-speaking world, grantmaking for CSO projects is the main strategy

of foundations, in Brazil, as the current director of GIFE, Andre Degenszajn, says, donations,

[...] represent only 29% of the total R\$ 2.35 million in funding [...]. This means in practice that PSI contributes little to the strengthening of CSOs. At the same time, it is true that a significant amount of funding is being transferred to CSOs, but much of this involves contracting, such as hiring service providers. (Degenszajn, 2013b, p. 235).

This flow of PSI funding for CSO projects, appears to be higher in Mexico, as shown in the data about corporate foundations mentioned earlier. There are also good examples in Mexico of partnerships between Government agencies and foundations to financially support CSO projects. One such example is the partnership created by the National Institute for Social Development (Indesol), the Corporative of Foundations, a community foundation that operates in the state of Jalisco, the Arancia Foundation and the Expo Guadalajara Foundation. For several years these entities have been putting together their funds in order to create a common fund and have been calling on CSOs to submit projects aimed at strengthening the social capital of those people living in poverty and social exclusion, and those who are vulnerable and marginalized.⁸²

6.3 From the past to the present interest in “attribution” of programs

Knowing that the operation of programs is important in the region, the question that now arises is to determine the factors that can explain its importance in the world of PSIs. There are no studies on this, though there are various ideas circulating around this subject. These range from the historical weight the concept of charity has had, as something that involves direct action with the poor, to a certain recent mistrust foundations have towards CSOs, the importance of having resources different to financial ones in PSI, and a growing interest in keeping control and attribution over the programs run by foundations. Below, some of these ideas are explained.

The historical reason mentioned above is related to the distinction that has been made between charity and philanthropy since the XIX century. Charity was a key term during this period in relation to a policy towards the poor, which was very important in the approach of health institutions and those providing shelter. Charity, as shown by Beatriz Castro in her research, was a fundamental idea that guided the St. Vincent de Paul Society, the most important institution helping the poor in Colombia and other countries in the region from the second half of the

⁸² See <http://www.vivirparacompartir.org>

XIX century until the early XX century. The idea of the home visit was the main way through which help was given to the poor and the quintessential expression of charity. During these home visits, a personal relationship with the poor was established, a true spiritual kingship, and it was this interaction between giver and receiver, which formed the core of charity (Castro, 1998, pp. 5-6). The importance of this personal relationship with disadvantaged populations was similar to that of Our Lady of Charity or the Vincentian Conference in Mexico, as Arrom Silvia has documented. (in Sanborn, C. and Portocarrero, 2005, pp. 42-47).

This personal relationship with those that are disadvantaged, guided by charity, contrasted in the XIX century with philanthropy, because according to the understanding of the time, philanthropy did not involve a direct relationship with the poor. The concept of philanthropy, which was little used then, referred to those people who gave money or some kind of help to those in need, and not to those people who did not participate directly in the projects they supported financially. (Villar, 2010, p. 36). This separation between the giver and receiver in philanthropy created a feeling of disdain among those engaged in charity.

This view of charity and its direct relationship with disadvantaged people significantly influenced the way a number of organizations operated up until the XX century. And this probably explains, at least partly, the emphasis placed on the development of programs operated by foundations. But of course, this explication seen from a cultural matrix or tradition would be incomplete if one does not link it with other contemporary influences.

Currently one very important factor is the idea held by the associations participating in this study, according to all the definitions of PSI, resources for social investment should not be limited to financial resources since “in the field of PSI, the notion of ‘resource’ is much broader than simply a list of funds and materials, and refers to experience, knowledge, management tools, and time, etc.” (GDFE, 2012, p.15). This idea, as well as the other elements of PSI (planning, strategy, impact, etc.), promotes a more direct involvement on the part of the social investor and the idea of “going beyond a mere donation”. This call to social investors to become more involved often leads, in many cases, to the development of their own programs and donations and grantmaking being undervalued.

Although there are important gains to be made when companies and foundations are actively involved in the design and creation of social solutions, placing at the service of society not only financial resources but their talents (knowledge, skills, influence, etc.), this involvement in guiding programs often leads to turning CSOs into operators rather than into co-creators. In the words of a corporate foundation director who was interviewed: “[...] corporate foundations increasingly demand specific criteria to participate in programs designed

by foundations, and as such CSOs turn more into operators.” Even though this can contribute to the development of CSOs having a technical role, this detracts from their political role, and from their autonomy and active participation in the design of projects for their own causes. However, the transformation of CSOs into operators is not only determined by PSI. The importance of procurement with Governments, as mentioned earlier, has also played a pivotal role in this transformation.

The active involvement of foundations in programs is also related to an interest they have towards attribution and being recognized for the programs they develop. This is especially true when a return is sought for companies and corporate foundations. The ability to take the credit for the results of their own program and the chance to control it is, for many companies and corporate foundations, a better strategy than supporting CSO programs or participating with other actors to produce joint results, since in this last scenario the relationship of a foundation to the results and the credit for their success partly disappears.

Another factor related to the trend of foundations developing their own programs is the belief that greater efficiency can be obtained by working directly in the implementation of the project, since the transaction costs of working with CSOs or NGOs, as they are called in some countries, are reduced. In the view of one foundation director who was interviewed, “PSI favors the operation aspect since with CSOs the return is low and the costs are high, and what matters is how effective an investment is.” This perception of the limitations of some CSOs is often generalized, as are some of the cases to do with the mismanagement of funds and corruption. Phrases like “the country is full of CSOs that rob the State” and suggestions to clean up and certify programs came up in the interviews conducted.

In a context of mistrust towards CSOs and the pursuit of measurable and short-term results, it is no accident then that support for specific projects is favored over processes that strengthen institutions and more complicated processes involving collective and collaborative action between diverse actors. In the words of GIFE’s director, Andre Degenszajn (2013b)

[...] There is a paradox among social investors. On the one hand, they have an expectation that organizations will improve (based on their perceived lack of management and low organizational capacity), but on the other hand, financing projects at the expense of institutional support predominates. That creates a distortion between the demand for greater capacity and the availability of funding. It is necessary to transform such views and strategies in order to work on strengthening the sector and the autonomy of its organizations. But this involves recognizing the role of investors as those who strengthen civil society, and this is not apparent (p. 237).

6.4 PSI and the processes of strengthening Civil Society Organizations

As with the withdrawal of international funds that affected the support given to controversial issues addressed by CSOs (human rights, citizen participation in politics, deepening democracy, reproductive health, etc.), programs involving the strengthening of CSOs have also had difficulties in obtaining local funding, especially those programs that emphasize the strengthening of political skills and advocacy by CSOs in public policy.

The case of Mexico is an interesting one to analyze. An article by Monica and Patricia Carrillo Tapia (2010) reconstructs the history of how Mexican entities dedicated to strengthening processes were formed, the *fortalcedoras* or *reinforcers* / *empowerers* as they are known in Mexico. This story begins in the late 1980s, with a high degree of influence from international financing entities (Novib, MacArthur Foundation, Mott Foundation, Kellogg Foundation, IAF, Synergos, etc.). These entities offered technical assistance and funding for capacity development, with local partners or development partners, who supported CSOs by providing consultancy work, workshops, training, exchanges, systematization, etc. Such support not only helped to strengthen CSOs but also created a large number of organizations, networks, schools, CSO strengthening programs related to agendas aimed at democratization, local development, community development, rural development, gender, reproductive health and also more technical processes such as evaluation (pp. 69-72). Indeed long-term strengthening processes, supported by international entities are the basis for the emergence of community foundations in a country or partnerships between foundations, such as the Border Philanthropy Partnership (p. 73).

These processes of strengthening CSOs took place in the middle of a debate involving different points of view, including those who emphasized technical and management aspects and those who gave greater importance to a political focus and social transformation. For those with the first point of view, the central issues involved the internal size of an organization, the optimal use of funding and the efficiency of programs. For those with the second point of view, impact during processes of social change was more important than internal efficiency regarding the use of funding during processes to strengthen CSOs. (p. 62). The debate also took place between those who promoted professionalization or the professional training of people who work with CSOs and those who were involved with processes of capacity building inside an organization, (p. 67).

Currently, various institutions dedicated to strengthening processes continue their work, and universities and private consulting firms have linked up to this, as has Mexico's Federal Government through the Institute for Social Development (Indesol) in an interesting way. There is a group of organizations that can

access services dedicated to strengthening processes, but there is also another group of interested organizations that do not have the necessary funds to access such services. These organizations have especially suffered, above all, when it comes to projects over the medium and long-term and work with groups of organizations. They favor professionalization, and strengthening processes linked to projects and guidance that emphasizes management.

Although some philanthropy at the local level supports strengthening processes, especially community foundations and some independent and family ones, corporate foundations in Mexico – with few exceptions - do not have this issue on their agenda.⁸³ A study on corporate foundations revealed that very few of them (9.4%) have building organizational capacity as part of their strategic objectives. A slightly higher percentage of foundations have capacity building among people as their objectives (25%) (Villar, Butcher, Gandini and Sordo, 2014, p. 83).

In Brazil, as shown in a recent publication called the Institutional Architecture Apoio às Organizações da Sociedade Civil no Brasil (Mendonça, Aquino and Nogueira, 2013), CSOs have gone through similar changes when compared to their Mexican counterparts. Private international cooperation agencies, which were instrumental in the development and strengthening of CSOs and in promoting human rights, democratization and social transformation, have partially left Brazil. They believed that with the current level of income in Brazil, international support is no longer needed. Brazil's new constitution of 1988 promoted rights and created better conditions for CSOs to dedicate efforts towards implementing new regulations and ensuring those new acquired rights could be guaranteed. In this context, CSOs were more inward looking and were connected to government funding that increased significantly, and CSOs turned into operators or they implemented social programs. Regarding corporate foundations and institutes, they allocated limited funding to CSOs, and chose to develop their own

83 Key examples of programs that focus on strengthening processes are those found in community foundations: The Foundations Corporative: the Oaxaca Community Foundation, the Community Foundation of Bajío, Foundation of Business leaders of Chihuahua (FECHAC), The Foundation of Business Leaders of Sonora (FESAC), Comunitar, the Community Foundation of the Northern Border, the Community Foundation of Querétaro, the Community Foundation of Matamoros, the Punta Mita Foundation, the Community Foundation of Malinalco, the Community Foundation, the Cozumel Community Foundation, The Foundation of Business Leaders of Yucateco (FEYAC) and the International Community Foundation (IC). With regards to other types of foundations, the Merced Foundation programs stand out. This has not only been the result of many years of work in programs involving strengthening processes and training, as well as creating a very successful diploma in management and social management, but that the programs have evaluated and systemized knowledge that has been accumulated. (See De Angoitia and Giraldo, 2015). The programs of strengthening processes of CSOs supported by foundations or programs in universities such as Alternatives and Skills, Strengthening CSOs in Ciudad Juárez or and the Centre for the Strengthening of Civil Society of Chihuahua, are also key examples of “empowerers / promoters” in Mexico.

programs. In order to create a new institutional architecture around CSOs, the strengthening of new forms of mobilizing of individual resources and micro-donations (crowdfunding), are being proposed in Brazil, as well as the development of independent funds using funding from various donors for controversial and complex issues (human rights, gender, race, etc.) Also being proposed is the promotion of family and community foundations, which have a greater vocation to strengthen CSOs, and dialogue with foundations and corporate institutes to raise greater awareness among them about the importance of strengthening CSOs (Mendonça, Aquino and Nogueira, 2013, pp. 25-38).

Another important change that had implications on the relationships with CSOs was the strategy used by several foundations to prioritize direct support for grassroots organizations without relying on CSOs that usually carried out this role or getting help from CSOs as operators of foundation programs. In several cases, this direct support for grassroots projects was accompanied by strengthening processes carried out by foundation teams or by CSOs hired for this task. In those cases where corporate foundations, companies or community foundations are promoting local development, strengthening processes become more complicated because individual organizations are not unified. There are, though, existing networks of organizations in a region and local actors as a whole, which can be used to promote coordination in planning processes, collaborative management and collective impact (Villar, 2007, 2013).

These new forms of working (like the strengthening of organizations during the course of projects or during more complex ones, as is the case with local development or networking and partnerships involving larger scale initiatives), led several interviewees to comment that while it is true not enough is being done to promote the strengthening of civil society, this cannot limit the view of strengthening processes to be carried out only with a particular group in their organizations, CSOs professionals or those who provide support. Providing support to the development of community leadership and spaces for coordination among diverse actors is also part of the strengthening process.

The case of Venezuela is interesting to show changes in relationships with CSOs, which in this case is due to changes in the role of the State. At the end of the XX century, for CSOs in Venezuela the State was an ally and an important provider of funding / resources. Today, with the tightening of democracy, this situation has changed and there is an official discourse against CSOs. The State continues to play a central role in supporting Community Councils, especially those in tune with the stance of the government, but the State continues to have a strong distrust of CSOs, particularly those seeking to promote human rights and democratization in the country.

Nevertheless, some foundations in Venezuela are seeking to counter this situation by strengthening CSOs. Two good examples are Venezuela Without Limits Foundation and the Polar Companies Foundation. Venezuela Without Limits Foundation has programs aimed at “channeling efficient social investment to strengthen Venezuelan NGOs”.⁸⁴ For its part, the Polar Companies Foundation’s Community Development Program “aims to create and strengthen the collective capabilities of community leaders, social entrepreneurs and community organizations to promote sustainable human development.” This program has promoted the creation of the Activate and Build Network, a virtual and physical space, “built with communities to exchange best practices, generate knowledge, strengthen capacity, promote and share experiences with other organizations and public, private, national and international entities that enhance efforts towards the pursuit of a common goal: to contribute to the wellbeing and sustainable development of communities”⁸⁵ (Mendez, 2015, pp. 3-5).

In the context of such change, it is important to generate more discussion around what this all means for democracy and for inclusive development that can rely on a more vibrant civil society in the region and a discussion about the diverse strategies to tackle this task. Like with the issue of partnerships with the public sector, which is an important part of PSI today, the strengthening of civil society should be on the agenda in a clearer way. As stated in an interview with a foundation director, “PSI should contribute to the development of counterbalances in a political system and the development of a civil society with the capacity to propose new issues on the agenda and democratic control of the State”. While alignment with public policies and partnerships with governments are key strategies to expand the scale of PSI, strategies that demand good governance, monitoring of public policy, advocacy in public policy, putting new issues on the public agenda, transparency of political parties and offering innovative solutions to old social problems are also important ones. Hence, it is necessary to strengthen civil society.⁸⁶

⁸⁴ See <http://www.venezuelasinlimites.org/SitePages/ResenaHistorica>

⁸⁵ See <http://www.redactivateyconstruye.org/>

⁸⁶ There are various initiatives in the region related to these issues but in general financing for CSOs comes more from international foundations than PSI and local philanthropy. One very interesting and new case is the Transparency Index for Political Parties (ITPP). This is a joint initiative with the Chile country chapter of Transparency International, Transparent Chile and the Centre of Ideas and Plural Action. It measures how proactive Chile’s political parties are in terms of transparency using the following indicators related to public interests: i) transparency in the structure and internal procedures of political parties; ii) transparency in terms of its ideology and the stance taken in party programs y iii) transparency in financing and links a political party has with third parties. Like many of initiatives in the region related to complex, risky and new issues, like those to do with democracy, one finds more support from international foundations than local ones. In this case, the initiative has financial and strategic support from the Avina Foundation and the Konrad Adenauer Foundation (Chile Transparente and Plural & Ideas and Action, 2014, p. 1).

7

TRANSPARENCY, EVALUATION AND LEARNING

○ **Among the foundations, there is no regional initiative** regarding this but each of the associations (AFE, GDFE, GIFE and Cemefi) have developed national initiatives and have proposed standards for transparency. AFE, for example, has developed a platform, - Somostransparentes.org.

○ "Latin America has not yet been able to establish processes of accountability and transparency with donor organizations and for private social investment, as well as with civil society."



Publication of management and financial reports

○ One of the basic elements of transparency is the **publication of management and financial reports** by foundations.

○ **46%** of foundations in Argentina publish such reports, 36% do in Colombia. A high percentage of foundations in Brazil publish these reports on their websites (78% in the case of FIE and 76% in FIC) and 56% of corporate foundations do in Mexico.

○ **Only 20% of foundations in Colombia publish accounting and financial reports on the internet, while in Mexico 60%** of corporate foundations do. In Brazil, the percentage of foundations that publish such reports is higher (45% in the case of FIE and 66% in FIC).

Platforms and websites about PSI and philanthropy

- The main and most complete platform is the one developed in Mexico by the Tax Administration Service (SAT), the Transparency Portal.
- Fondos a la Vista or Funds in Sight is another platform that has been developed in Mexico.
- In Argentina, the GDFE recently launched (2014) the **Geo-referenced Map of Private Social Investment**.
- In Colombia, the AFE has the Strategic Platform for the Management of Projects, where one can find relevant information about projects from each of its member foundations.
- Cemefi has a directory of foundations and donor entities, which has the basic contact information of private and corporate foundations.
- At the **regional level, there is the Latin America Donor Index**, an initiative of the Avina Foundation and the Inter-American Development Bank (IBD).

Evaluation and learning

- **Knowledge management and evaluating impact are emerging themes in the foundation world.** But still several of the sector's actors see this as something that competes with resources and funding destined to projects.
- According to GIFE's survey, 95% of its members carry out results evaluations, 89% do process evaluations, 53% carry out impact evaluations, 66% establish a baseline by which to carry out their evaluations, and 70% define expected results and establish indicators.
- **In Argentina, the evaluation of results is more generalized.** But still a slightly higher percentage of companies carry out results evaluations (90%), compared to foundations (86%).

TRANSPARENCY, EVALUATION AND LEARNING: NEW ISSUES ON THE PSI AGENDA

In a book by Harvard University on philanthropy and social change (Sanborn and Portocarrero, 2005), which was mentioned in the introduction, one of the emerging issues back in 2005 was transparency and the accountability of CSOs. This book describes the increasing public scrutiny CSOs have come under and it analyzes the emerging initiatives of some umbrella organizations and foundations involving the creation of codes of conduct and standards. Likewise, it calls for progress to be made towards the path of self-regulation, as a way to ensure trust and legitimacy in the sector (Villar, 2005, pp. 361-384). In the ten years since the book was written, interest in the issue of transparency has spread and important initiatives have been developed both in the general context of CSOs and among foundations. But as will be seen, there is still a long way to go.

One of the most important initiatives introduced by SCOs at the regional level involves the issue of accountability, led by the Colombian Confederation of NGOs, the NGO Network for Transparency, CIVICUS and the Institute for Communication and Development (ICD). The initiative includes 25 promoting organizations from six countries in Latin America, and it aims to identify, analyze and disseminate best practices in transparency and accountability, as well to promote self-regulation through the voluntary adoption of common standards for transparency. In this movement, more than 400 CSOs have submitted their accounts using standards and a common format introduced by the initiative.⁸⁷

Among the foundations there is no regional initiative that addresses transparency but each of the associations (AFE GDFE, GIFE and Cemefi) have developed national initiatives and have proposed standards for transparency, such as GDFE's self-regulatory code of social investment, the code of ethics and reporting standards proposed by the GIFE for its members, and indicators showing institutionalism and transparency. In Colombia, the AFE together with a group

⁸⁷ See www.rendircuentas.org

of seven affiliated foundations and the DIS Foundation have designed an online platform (www.somostransparentes.org) that gathers timely information about CSOs in the country to promote transparency and accountability.⁸⁸

At the regional level, the Worldwide Initiatives for Grantmaker Support (WINGS), together with its members (AFE GIFE, GDFE and Cemefi) promoted a meeting in Colombia (June 4, 2013), to analyze various issues related to transparency. At the meeting called “Workshop on transparency and accountability of Latin American social organizations”,⁸⁹ guidelines and practices about the various aspects related to transparency were analyzed: governance of foundations, financial reports, the spread of efficient processes, and the impact of foundations and capacity building. Despite the progress made, it was concluded:

[...]Latin America has not yet been able to establish processes of accountability and transparency with donor and private social investment organizations, as well as with civil society. They are committed [and it was considered that] one has to find standards for accountability and transparency that can be adapted to the region, its needs and the current context. (WINGS and AFE, 2013, p. 7).

As a result of the consultation processes and regional workshops promoted by WINGS, this organization recently published a manual on this issue (WINGS, 2015).⁹⁰

Transparency is not synonymous with accountability, as was mentioned by RedEAmérica’s director during a regional workshop cited earlier, since transparency implies not only being transparent about the sources and use of funding but also about what is being done, how it is being done and about the results achieved. Below we will analyze various aspects related to transparency: the publication of management and financial reports, carrying out evaluations and making them public, and lessons learnt among foundations.

88 In the project promoted by the AFE, seven of AFE’s affiliates and the DIS Foundation identified seven key points relating to transparency and accountability to do with the public having easy access to information; 1) updated information about how to get in contact with the foundation; 2) aims, purpose and objectives of the foundations; 3) areas of work and programs; 4) information about how the foundation is governed and control mechanisms; 5) key policies the foundation has a code of ethics, recruitment processes and investments, etc. 6) the structures of its working groups and 7) how the foundation produces its results. On the basis of the pilot program’s progress, a platform is being built so that an online model can be used by other organizations, and another phase of the program is being considered where an independent entity can certify the reliability of the information provided by the foundations. (AFE, 2015).

89 The videos and presentations made during this workshop can be seen at AFE’s webpage: <http://afecolombia.org/es-es/DetallePublicacion/ArtMID/534/ArticleID/2183/Taller-Transparencia-y-Rendici243n-de-Cuentas-WINGS-2013>

90 This document is available on http://wings.issuelab.org/resource/wings_transparency_and_accountability_toolkit. This manual has sections on the meaning and importance of transparency and accountability for foundations, and a proposal about standards relating to these issues and practical examples of ways this can be promoted. (WINGS, 2015).

7.1. Publication of management and financial reports

One of the key elements of transparency is the publication of the management and financial reports of the foundations. The information that there is about this, as in many other cases in PSI, is very uneven. While it is known that some countries publish reports, in other countries information is available on the websites of institutions, that is to say, with greater access to the public. Likewise, for some countries there is more detailed information about what is published and disseminated (accounting and financial reports, activities, results), while in other countries this information is not broken down. Finally, in some cases information refers to the members of an association (GIFE and AFE), and in other cases it refers to specific sectors (corporate foundations in the case of Mexico or a sample of foundations as is the case in Argentina). Still, bearing in mind such limits, it is worth analyzing the information available.

As can be seen in table 12, the most common type of practice is the publication of management or activity reports published both physically and online. Such types of reports are published by 46% of foundations in Argentina, 45% in Colombia (both physically and on the web), and a high percentage of foundations in Brazil (78% in the case of FIEs and 76% for FICs) and 56% of corporate foundations in Mexico publish such reports on their websites. These figures are significant but this is far from reflecting a transparent sector if one bears in mind that this is just one of the basic indicators of transparency. By comparison, the table also highlights the progress of Brazil in this field in relation to the other countries, which is possibly due to the efforts of GIFE.

As for the publication of accounting and financial reports on websites, the picture is more uncertain. In Colombia, only 30% of AFE's associate foundations publish such types of reports on their websites. In Mexico, 60% of corporate foundations publish such reports but there is no information about the percentage of these reports that are published on the internet. In Brazil, as with the management reports, the percentage of reports published on web pages are the highest (45% for FIEs and 66% for FICs), but these figures are considerably lower than the percentage of activity reports published in Brazil.

As seen from these results, despite progress made in the last decade and efforts of the associations of foundations, there is a long way to go in this aspect of transparency and even more in other ways such as the publication of assessment / evaluation and learning reports.

TABLE 12 Publication of management and financial reports by country
(Update Colombia-AFE information in box and text)

| | Argentina | Brazil | | Colombia | Mexico |
|---|-----------|--------|------|----------|--------|
| | | FIE | FIC | | |
| Activity or management reports published | 46 % | | | 50,8 % | 74 % |
| Accounting or financial reports published | | | | 45 % | 60 % |
| Publish activity reports on website | | 78 % | 76 % | 52,5 % | 56 % |
| Accounting or financial reports published on websites | | 41 % | 5 % | 29,5 % | |

SOURCES: GDFE and RACI (2012, p. 36); GIFE (2013, p. 26); AFE (2015, pp. 21 y 24); Villar, Butcher, Gandini and Sordo (2014, p. 92).

7.2. Evaluation and learning

Concerns about expanding the scale and impact of interventions, as well as PSI playing a more active role in social innovation, has given importance to the issue of evaluation / assessment in the PSI world. An evaluation is carried out to determine whether interventions are achieving their expected impact and to get feedback on the course of action of the programs of foundations. Along with the growing demand for evaluation, systematization, learning and other knowledge management mechanisms are starting to tentatively take hold in the foundation world. The sector, though, is still far from truly appreciating the extent of the knowledge it has and turning this knowledge into a public good.

Knowledge management and impact assessments / evaluations are emerging issues within the foundation world. Yet some of the actors in the sector still see this as something that competes with funding allocated to projects. Often a false dilemma is posed between projects and knowledge, as it is thought that the main contribution of foundations are the direct benefits their interventions bring, and their contribution is not about creating relevant knowledge about social transformation and making this available to the public through creating models, developing social innovations, systematization of methodologies for future transfer, producing guides, etc.

It is possible to see such knowledge management as part of a transparency strategy, if it is understood as “sharing what is done, how it is done and the difference it makes in an honest, opportune and easily understandable manner” (Grantcraft, 2014, p. 3) and not only seeing transparency as an issue about

accountability. But, as analyzed below, there has been more progress made in knowledge management by individual foundations and, above all, in carrying out individual assessments than with sharing and letting the public know about results and lessons learned.

According to the GIFE census, 95% of its members carry out results assessments / evaluations with the aim of checking project activities; 89% of foundations carry out evaluation processes to see if the planned activities in a project are working properly, and 53% carry out a more complex assessment, one involving impact, with the aim of verifying that impact is directly attributable to the activities of a project. 66% of foundations set a baseline for carrying out their evaluations and 70% define a framework for expected results and establish indicators to evaluate these results. These figures show the level of progress the issue of evaluation has had in Brazil and the range of tools used to carry this out (GIFE, 2013, p. 46).

When comparing figures on the percentage of foundations and institutes in Brazil that carry out evaluations based on the percentage of companies that do this in their PSI programs, what stands out in the case of foundations is that this percentage is much higher when it refers to evaluating all projects (70% in the case of foundations vs. 26% among companies), but the figure is lower when it refers to some projects (15% for foundations vs. 21% in companies). This may show that the culture of assessment is stronger among foundations than in companies, but it could also be, as the report authors mentioned, that this comes from foundations having a different operating profile. This is because among foundations there is more importance given to operating their programs, while companies tend to transfer their funding to third parties (Comunitas, 2013, p. 91). In either case, this shows that the evaluation of social projects by companies is low, especially if one considers that when it comes to business, tools are frequently used to measure and evaluate initiatives. As for the percentage of funds allocated to evaluation processes in relation to an investment, it can be said that in general the percentage is low, and lower among companies (0.33%) than in institutes and foundations (0.89%) (Comunitas, 2013, p. 96).

In Argentina, taking into the account the information from the GDFE and RACI study, it appears that the situation is the opposite of what is happening in Brazil and that evaluation is more consolidated among companies than in foundations. With regards to impact assessments, 57% of companies said they carried out one, compared with 43% of foundations. The evaluation of results is more widespread, but likewise there is a slightly higher percentage of companies that carried out this type of evaluation (90%) compared to foundations (86%). Regarding the use of diagnostic assessments, companies also surpassed foundations (70% vs. 57%) (GDFE and RACI, 2012, p. 32).

In Mexico, information about evaluation processes is only available for corporate foundations. Within this group, 92% say they assess impact and 63% state they have methodologies to evaluate impact. However, when asked about the measurements used in their methodologies to assess impact, 43% said they used the number of beneficiaries as a measure, 15% the number of activities and 40% changes in the quality of life. This means that only among corporate foundations can impact assessments be carried out. The likely explanation for these results is that as evaluating impact is on the agenda of foundations, it is politically correct for foundations to respond that they do them, although in fact the type of evaluation that is done in practice is another type of one. What is important is that foundations aspire to carry out impact assessments, and therefore there is potential to develop this (Villar, Butcher, Gandini and Sordo, 2014, pp. 84-86).

Regarding who does the evaluations, there is only information about Brazil where it is noted that a high number are carried out by a foundation's own teams, especially when it comes to evaluating results (84%) and processes (81%). In the case of impact assessments, the involvement of foundation teams is somewhat lower (46%) and the percentage of such evaluations done by external consultants is higher than in other cases (44% vs. 22% for results evaluations, and 15% for process evaluations) (GIFE, 2013, p. 47).

In the recommendations made by Grantcraft, sharing evaluations with the public is one of the ideas to open up foundations and make them transparent.⁹¹ Other suggestions from Grantcraft (2014) about promoting transparency in foundations and institutes are: make knowledge a public good and make evaluations available to society, share selection criteria for beneficiaries to make life easier for them during the application process, strengthen ties and dialogue with CSOs and their partners, and learn together with other foundations about strategies and approaches of programs. A number of these practices exist in the foundation world, but there is only information about the publication of evaluations.

There is information about the publication of evaluations in Brazil and Mexico. In Brazil, 52% of associate members of GIFE publish assessment / evaluation indicators or post results on their websites, or through other ways that are accessible to the public, and 32% of evaluations are done for a specific audience. There is an important difference between foundations and corporate institutes

⁹¹ Grantcraft is published by the United States Foundation Center aimed at gathering and organizing practical expertise from experts in the foundation sector so that this knowledge can be spread to improve the practice of philanthropy. It has produced reports about various key issues in the sector for foundations. One of those key issues is transparency. Some of Grantcraft's publications have been translated into Spanish by the AFE and others into Portuguese by the GIFE. To find out more about Grantcraft, see <http://www.grantcraft.org/>

(FCE) and family, independent and community foundations (FIC) regarding the publication of evaluations, with the last group of foundations showing a greater openness to do so. While 66% of these foundations publish their assessment indicators or their results, among FIEs that percentage falls to 45% (GIFE, 2012, pp. 25-26).

With regards to Mexican corporate foundations, it is known that 71% of them publish the results and evaluations of their programs in activity reports, but in just 56% of cases this information is published on websites (Villar, Butcher, Gandini and Sordo, 2014, p. 92). In Argentina, 46% of foundations have activity reports, but no information is available about how many of these reports contain evaluations (GDPE and RACI, 2012, p. 36).

In Colombia, of the 61 associate foundations of the AFE, 58% state they measure results, according to a survey used for the 2015 Census, and 46% said they measured impact.

As can be seen from the information about evaluation, there is important progress in the region about carrying out evaluations and using them for strategic decisions in foundations. But perhaps the main challenge is to give greater importance to providing information to the public, the creation of useful knowledge for the public and sharing it in a timely and opportune way so that progress can be made on transparency in the ways Grantcraft has recommended.

With regards to learning, it is known there are spaces that the associations of foundations have opened up so that its members can exchange experiences, but there is no information about the percentage of foundations that convert this learning into useful knowledge and disseminate it to society. There are illustrative examples of the creation of public knowledge drawn from the knowledge acquired by foundations, such as RedEAmérica at the regional level. Through RedEAmérica's work a great wealth of practical knowledge has been produced about grassroots development, which is a core issue of the network, through their forums, workshops, exchange of experiences and learning rounds that have become conceptual frameworks, guidelines, manuals, analytical papers, etc., which are made available to the public on the network's website.⁹² Other networks and foundations in the region are moving along this path to turn their insights into knowledge for the public. But as we have said, these are still tentative steps in relation to the potential contributions that foundations have, and for which there is no quantitative information in order to have a clearer idea about this.

⁹² See <http://www.redeamerica.org>

7.3. Platforms and websites about PSI and philanthropy

In the region, various websites or platforms with public information about PSI and philanthropy have been developed. These are tools that make available to the public, different types of information about foundations, donations and projects supported by groups of entities, which contributes to creating transparency in the sector.

The main and most comprehensive platform is the one developed in Mexico by the Tax Administration Service (SAT), the Transparency Portal. Here one can find information about all of the Mexican entities that are authorized donors, that is to say all non-profit organizations that have been authorized by SAT to be exempt from income tax (ISR) and those that can issue tax-deductible receipts on the donations they receive. Thanks to this website, it is possible for any citizen to know the amount of donations in-kind or cash received and granted by any authorized donor. This can be seen in a list of entities that have received donations by authorized donors and the area of work of these organizations. In addition to making information available to the public, SAT produces an annual report with this information, classified by States of the Mexican Republic, and by subject, etc. This makes it possible to know fairly easily the flow of philanthropic funding in Mexico. In the majority of other countries, such information about philanthropic funding and PSI is treated as being confidential by the Government.

Funds in Sight is another platform developed in Mexico, with the mission “to provide, in a transparent and accessible way, institutional and financial information about civil society organizations (CSOs) and donors, which allows social investment in Mexico to be linked and held accountable”. Funds in Sight provides information from SAT in a user-friendly way and is complemented with new information from the Federal Register of CSOs. Funds in Sight also conducts workshops across the country to promote the use of this information and it produces specialized reports. This platform was developed and is operated by Alternatives and Skills, and the Mexico Autonomous Technological Institute (ITAM) with the support of a large number of national (Fundemex, US-Mexico Foundation, Rosario Campos de Fernandez Foundation, the Montepio Luz Saviñon Foundation, Alfredo Harp Helú Foundation) and international foundations (WK Kellogg Foundation), in technical partnership with the Foundation Center and Microsoft, and general partnership with Comunalía and the Border Philanthropy Partnership.⁹³

The associations of foundations have also developed websites. In Colombia, the AFE has the Strategic Platform of Project Management, launched in

⁹³ See <http://www.fondosalavista.com>

late 2014, which is an improved version of its georeferencing map published in 2010. In this new version, one can find relevant information about the projects of each of AFE's member foundations, including the geographical area of a project, its focus, populations served and the thematic areas of projects. This platform not only allows one to view a map of foundation projects, but it is an instrument for initiative management. The platform has three levels; the first two levels are for the exclusive access for each of AFE's member foundations (the first is viewed on AFE's intranet, and the second on foundation websites). In these levels, each foundation can include and personalize relevant indicators for monitoring and management. The third level contains the common indicators for all foundations and this is the part of the platform where information is available to the public in HYPERLINK "<http://www.afecolombia.org>. [1]The" www.afecolombia.org. [1]The projects displayed here are shared with the Social Map, which is promoted by the National Government, and also with the Foundation Center.

Following Colombia's pilot platform, the GDFE in Argentina launched the Georeferenced Map of Private Social Investment in 2014, which allows one to do searches about PSI by topics, subtopics, amounts invested, geographic location, initiative, types of entities, and target populations. The results are displayed with different icons for easy reading and analysis.⁹⁵

Cemefi has a directory of Foundations and Donor Entities, which gives basic contact information for the private and corporate foundations, as well as corporate programs that provide in-kind or financial support to CSOs. Cemefi is currently developing an online Foundation and Donor Entities Directory, which will also have information about public calls for proposals, procedures and what is needed in order to get the support of foundations and companies.

At the regional level, there is the Latin America Donors Index, which has been already been referred to in section. This is an initiative of the Avina Foundation and the Inter-American Development Bank (IDB), which seeks to help non-profit organizations to find resources and donors to know what organizations are doing, with the aim of promoting synergies and shared agendas. Alongside these aims, the Index also seeks to create transparency by making information about donors public. The Index contains information about 801 entity donors (development agencies, civil society organizations, private donors and corporate donors).⁹⁶

⁹⁴ See <http://afecolombia.org/es-es/LasFundaciones>

⁹⁵ See <http://www.gdfe.org.ar/mapa/>

⁹⁶ See <http://www.indicedonantes.org/> Currently, these institutions are developing in partnership an updated and new version of the Donor Index called the Partnership Platform for Latin America <http://www.alianzaspal.org/>. The United on the Network organization has joined the partnership.

The role of networks and the associations of foundations, as well as other entities that make up the PSI and philanthropy infrastructure has been, and will, remain pivotal to moving forward towards a culture of transparency, peer learning, creating standards and tools and capacity building, as well as other aspects that are key for the growth of the sector. As such, it is worth examining what is known about this infrastructure in the following section.

8

THE INFRASTRUCTURE OF PSI

Organizations play a fundamental role in key aspects for the development of PSI and philanthropy: providing information and advice, the creation of peer learning spaces, producing knowledge, encouraging collaboration between foundations and the promotion of a legal environment and favorable culture for PSI and philanthropy.

WINGS classifies this into three types: member organizations (associations of foundations, for example), those organizations that provide support (service providers that do not have a membership structure) and networks.

Of the **141 WINGS members** that exist in the above categories, 16 are in Latin America.

The associations of **foundations of Latin America have been key actors in the development of PSI** and philanthropy, and they make up the base of the sector's infrastructure.

The oldest association of foundations in the region is the Mexican Center for Philanthropy (Cemefi), created in 1988.

In 1995, GIFE and GDFE were created. The AFE was created several years later in 2008.

There are networks and regional and national associations that help specific groups and deal with particular issues in the sector like RedEAmérica (works on grassroots development), Reduca (education) or Comunalía (community foundations) or the Network of Independent Funds for Social Justice in Brazil.



THE INFRASTRUCTURE OF PSI AND PHILANTHROPY

Regarding the infrastructure of PSI and philanthropy, WINGS recently published a study, *Infrastructure in Focus: A Global Picture of Organizations Serving Philanthropy* (2014), about institutions dedicated to strengthening PSI and philanthropy at the global level, which forms the base of the associates of WINGS. These organizations play a fundamental role in key aspects regarding the development of PSI and philanthropy, such as providing information, consultancy services, creating spaces for peer learning, knowledge production, representation, fostering collaboration between foundations and promoting a legal environment and a favorable culture for PSI and philanthropy (WINGS, 2014, p. 5).

WINGS classifies those institutions dedicated to strengthening PSI and philanthropy into three types: membership organizations (for example, associations of foundations), support organizations (providers of services that do not have a membership structure) and networks (WINGS, 2014, p. 10). Of the 141 WINGS members belonging to these three categories, 16 are in Latin America.

The associations of foundations in Latin America have been key actors in the development of PSI and philanthropy, and constitute the basis of the sector's infrastructure, which were formed not so long ago. By 1977 in Venezuela, the Venezuelan Federation of Private Foundations had already been created with the aim of promoting foundations as an instrument of social investment for businessmen and women. This was the result of a regional process in which a group of Venezuelan business leaders, with help at the national level from the Mendoza Foundation, the Phelps Union, and the Creole and FUSAGRI Foundations, and with the support of international foundations like the Inter-American Foundation (IAF), the Tinker, the Rockefeller, the Center for Inter-American Foundations and the Ford and Kellogg Foundations, met in Caracas in 1974 for what was called the "First meeting of foundations and business leaders in America". Representatives from Argentina, Brazil, Colombia, Chile, the United States, Guatemala, Mexico, Peru and the Dominican Republic took part in this meeting. The chairman of

the meeting, Eugenio Mendoza, called on the private sector not to ignore the serious problems facing their countries and not to view their sole function as one of creating industries and jobs. He said sponsoring social action and creating foundations should also be the work of free enterprise. The call was taken up, as seen in the creation of foundations, and it was the origin three years later, of the Venezuelan Federation of Private Foundations. In the other countries of the region, the creation of the associations of foundations came about a little later (Mendez, 2008, pp. 87-92).

As can be seen in Table 13, for the countries examined in this study, the oldest association of foundations is the Mexican Center for Philanthropy (Cemefi), created in 1988. In 1995, the GIFE and the GDFE were created. Several years later, in 2008, the AFE was created. All of the foundations have roles involving the promotion and dissemination of PSI or philanthropy, providing information, giving training and support to its members, fostering ways of collaboration between members and with other key actors; dialogue with the government creating spaces for peer learning and knowledge management. All these roles have helped to strengthen and build visibility and legitimacy for the foundation sector.

The membership of foundations varies. While foundations are at the heart of the four associations, the GDFE, the GIFE and Cemefi, they also have companies as their members. This is in contrast to the AFE, which only joins together foundations with a corporate and family origin. However, despite the participation of corporate members in these three associations, only Cemefi has among its objectives the promotion of corporate social responsibility. The other associations are targeted towards PSI. On the other hand, Cemefi, in addition to the foundations and corporations, also has among its members individuals and international institutions and government entities.

These associations offer their members, and sometimes to the general public, services such as hosting conferences and seminars, training events, information about physical and virtual libraries, putting together affinity groups, opening spaces for peer learning, specialized consultancy and diverse advocacy work on public policy to promote a favorable environment for PSI and philanthropy.

Together with the associations, there is a large number of entities that also play a key role in supporting and strengthening PSI, such as the Instituto para o Desenvolvimento do Investimento Social (IDIS) in Brazil,⁹⁷ the Foundation for the Institutional Development of Social Organizations (DIS) in Colombia,⁹⁸ the Merced Foundation and the Alternatives and Skills Foundation, as well as the

⁹⁷ See <http://idis.org.br/>

⁹⁸ See <http://www.fundaciondis.org/>

whole network of the so-called reinforcers / empowerers in Mexico.⁹⁹ Their roles are strengthening foundations, consultancy services, training, and disseminating information.

Furthermore, there are networks and regional and national associations that support specific groups or particular issues in the sector like the networks already mentioned, including RedEAmérica (a grassroots development network), Reduca (education), or Comunalia (community foundations), which brings together this particular group of foundations in Mexico, and in Brazil there is the Rede de Fundos Independentes para a Justiça Social (independent social investment and social justice).¹⁰⁰ All these networks are fulfilling a key role in putting new issues on the agenda, promoting debates, supporting organizations and mobilizing funds and ideas in priority areas at the regional level and in specific countries.

An important aspect of the sector's infrastructure is made up of spaces for meetings and dialogue between the foundations. The most important of these meetings, at the regional level, are the Ibero-American Civil Society Meetings, which began in 1992 in Caceres (Spain). They have been held 12 times since then, with the last one held in October 2014 in Puebla (Mexico) entitled "New roles and expressions of civil society." Since its beginnings, such meetings have sought to establish themselves as scenarios of reflection and analysis on key issues facing foundations and as spaces to form links between foundations. To organize these meetings, a standing committee has been set up, with one representative from each of the participating Ibero-American countries and an executive committee with the task of convening and organizing the next meeting.¹⁰¹

The strengthening of the sector's infrastructure in the countries examined, both in terms of the associations of foundations, as well as the networks and specialized institutions involved in strengthening foundations or in promoting key issues for society, will remain essential to PSI and philanthropy in Latin America.

⁹⁹ See <http://www.fundacionmerced.org.mx/>; <http://www.alternativasycapacidades.org/>

¹⁰⁰ See <http://www.redeamerica.org/>; <http://www.reduca-al.net/>; <http://www.comunalia.org.mx/>; <http://www.rededefundos.org.br/>

¹⁰¹ See <http://encuentroiberoamericanosc.org>

TABLE 13 Foundation associations – year founded and membership

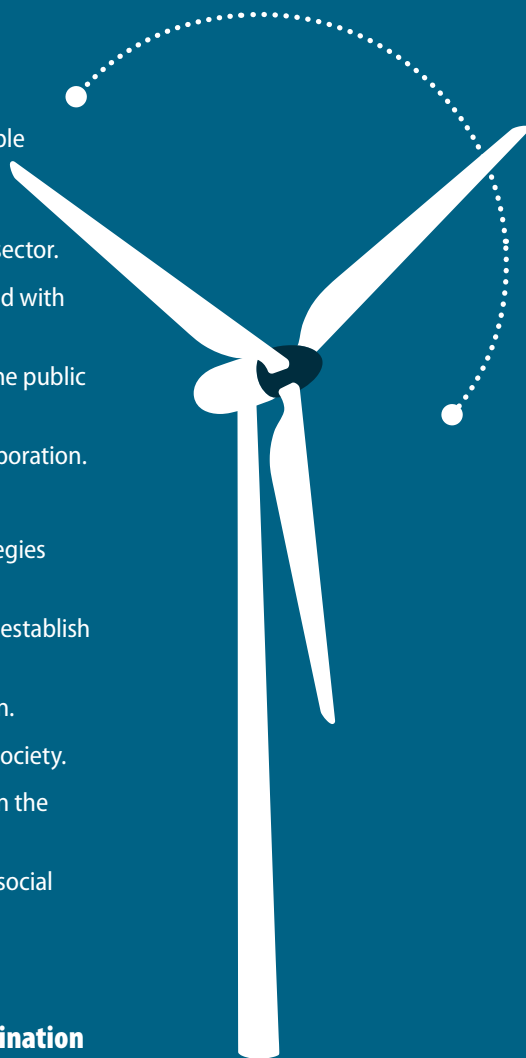
| | Mexico | Brazil | Colombia | Argentina |
|----------------------------|---|--|---|---|
| Name | The Mexican Centre for Philanthropy (Cemefi) | Group of Institutes, Foundations, and Corporations (GIFE) | Association of Corporate and Family Foundations (AFE) | Group of Foundations, and Corporations (GDPE) |
| Year founded | 1988 | 1995 | 2008 | 1995 |
| Type and number of members | <p><i>Members: 917</i></p> <p><i>Associates in the General Assembly: 197</i></p> <ul style="list-style-type: none"> • Associations and foundations: 93 • Individuals: 45 • Companies: 59 <p><i>Partners: 222</i> (Associations, companies, foundations and individuals)</p> <p><i>Affiliates: 480</i></p> <ul style="list-style-type: none"> • Institutions that promote and provide support: 469 • Individuals: 11 <p><i>Service users: 18</i> (government agencies and international institutions)</p> | <p><i>Associates: 130</i></p> <ul style="list-style-type: none"> • Institutes and corporate foundations: 58 % • Companies: 13 % • Institutes and community foundations: 3 % • Institutes and family foundations: 8 % • Institutes and independent foundations: 18 % | <p><i>Members: 61</i></p> <ul style="list-style-type: none"> • Corporate and multi-corporate: 70,5 % • Family: 24,5 % • Independent: 5 % | <p><i>Partners: 33</i></p> <ul style="list-style-type: none"> • Corporate Foundations : 18 • Independent Foundations: 6 • Companies: 9 |

SOURCES: <http://www.cemefi.org/cemefi/informacion-institucional.html>; GIFE (2013); AFE (); <http://www.gdfe.org.ar/>

9

TASKS AND CHALLENGES FOR THE FUTURE OF PSI AND PHILANTHROPY

- To **be able to rely on quality**, comparable and easily accessible information about PSI and philanthropy.
- To **promote the diversification** of the sector.
- To **regain the positive values** associated with philanthropy.
- To **promote a good balance** between the public interest and private interests.
- To **expand spaces** for dialogue and collaboration.
- To **promote social** innovation.
- To **share and learn** about different strategies regarding impact and scale.
- To **expand dialogue** with governments, establish partnerships and collaborative work.
- To **promote equality** and social inclusion.
- To **support the strengthening** of civil society.
- To **continue to promote** transparency in the sector.
- To **deepen knowledge** and practices of social businesses.
- To **promote peer learning** and to make knowledge a public good.
- To **continue a dialogue and the coordination** of initiatives between associations.



TASKS AND CHALLENGES FOR THE FUTURE OF PSI AND PHILANTHROPY

Below the main tasks and challenges for the future of PSI and philanthropy are shown, taken from an analysis of the trends presented throughout this study.

9.1 The need to have quality, comparable and accessible information about PSI and philanthropy

As has been shown throughout this report, there are very big limitations regarding the information on PSI and philanthropy. Currently there is very useful information available like the GIFE or AFE census, Cemefi's directories, information from SAT, Mexico's Funds in Sights and studies about foundations in some of the countries. But despite all of this, the same statement made ten years ago by the editor of the Harvard study mentioned in the introduction, still holds true. In this study it was said:

While there has been an increasing amount of information produced about these phenomena [referring to philanthropy in Latin America], it is still rare to find data that is updated regularly, or data that is truly comparable across countries. Similarly, there are few reliable estimates of the real amount of private donations made in a given country and year, or the extent of funding invested in philanthropic programs; nor do we have baselines that allow us to confirm whether donations of various kinds have increased or decreased over time. There is scant information available with which to assess the aim or the impact of philanthropy in specific areas, or examine the dynamics of the relationship between donors and beneficiaries. (Sanborn, 2004, p. 9)

The importance of having quality and updated information has led WINGS to promote an initiative called the Data Charter.¹⁰² As stated in this initiative, comparable, consistent, and reliable information helps investors to set their strategies, foundations to share their learning and the sector to gain legitimacy.

¹⁰² See <http://philanthropydata.wingsweb.org/>

To do this, WINGS is proposing a guiding framework and a code of good practice for those involved in the management of information about PSI and philanthropy (information users, information providers and compilers of information) and a framework to involve other sectors (the Government, academia, business and CSOs), as well as standards for sharing and using information for the public benefit. The principles of accessibility, quality, cooperation, transparency and protection to safeguard a balance between openness, privacy and security, guide this initiative (WINGS, nd, pp. 2 and 6).

It is important that the diverse actors in PSI and philanthropy endorse this WINGS agreement and especially the associations of foundations, which play a key role in the recollection, analysis and use of information about the sector. This would allow the sector in the future to count on having shared criteria for the creation of key information about the sector and have the possibility of comparing it both over time and within countries and between countries.¹⁰³

9.2. Promoting diversification of the sector

This study has analyzed how in recent years corporate PSI has predominated over other types of PSI in Latin America. While it is necessary to promote further growth of this type of PSI through corporate foundations and within companies, it is important to promote greater balance by encouraging the growth of family, community and independent foundations.

This diversification is valuable for the sector so that PSI and philanthropy can incorporate, with greater force, into their agendas those issues that corporate PSI may not possibly support in such a dedicated way, such as human rights, strengthening civil society, deepening democracy, demand for good governance, the strengthening of public institutions and the fight against social inequality.

As mentioned earlier, GIFE produced its PSI Vision 2020, which has diversity in the sector as its main focus. Diversity is understood both in the types of

¹⁰³ One interesting example involving coordinated work about how to create, spread and use information is the Social Progress Index. The Index measures progress made in addressing the social and environmental needs of citizens in a country or at the local level. It has a set of 52 indicators relating to basic human needs, welfare and opportunities.

To launch the Index, a strategy that involved social capital, and the participation of companies, foundations, CSOs, universities, local government and those people interested in each of these issues so that they could all actively participate in the public debate and select priorities and evaluate its progress was used. In such a way, better information is available, which can be used to guide decisions about social investment. In the methodology used in the index, the Avina Foundation played a key role. Lessons learnt from this Index will be important for any regional initiative to do with the gathering, dissemination and use of information about PSI (see <http://www.socialprogressimperative.org> y <http://www.avina.net/esp/10585/indice-de-progreso-social-aplica-modelo-actuacion-de-avina/>).

investors the sector has, as well as the sources of funding and agreements with institutions; new issues on the agenda; geographical reach; new ways of collaboration and management to expand its scale and impact, as well as transparency and communicating with diverse audiences to make progress on the issue of legitimacy. While this is part of Brazil's agenda, a number of recommendations and challenges raised by the GIFE are relevant to other countries.

Promoting community foundations is important; these types of foundations, with the exception of Mexico, are very few in the region. Community foundations play an essential role in regional development where they work and have a great ability to join actors around common agendas. This is a type of foundation that is growing in the world, and Latin America is lagging behind in this respect.

Another core aspect regarding the sector's diversification is the expansion of issues that are supported by PSI and philanthropy. Equity, social inclusion, strengthening processes, and the quality of and confidence in public institutions, as seen in the background section, are major challenges in the region. But PSI and philanthropy have paid little attention to these issues. Even in the field of education, as was analyzed throughout the report, where there is a significant flow of funding from foundations and corporations, the issue of inequality in the education system is underserved by PSI and philanthropy. It would be pertinent that these issues, which are crucial for inclusive and sustainable development, gain greater importance in the PSI and philanthropy agenda.

Finally, getting citizens more involved in giving donations for collective causes is a pending task in the region. As analyzed using information about Mexico, individual donations account for the highest amount of philanthropic funding, but few donations are destined to institutions and collective causes. Promoting greater institutionalization of individual donations means gaining legitimacy among citizens about the initiatives and social causes taken up by PSI and philanthropy. A task that is, undoubtedly, of the utmost importance for the sector.

9.3. Restoring the positive values of philanthropy

In the first section of this report, it was analyzed how in most of the region's countries the concept of PSI is one that places it in opposition to philanthropy. This has given PSI negative connotations, as something that is assistance based, carried out over the short-term, and lacks focus and an interest about impact and scale. It was also pointed out that there are increasing numbers of people who do not view PSI and philanthropy as opposing concepts, nor do they differentiate them in terms of the way both are carried out and in their intervention strategies. Other PSI and philanthropy are analyzed as part of a continuum.

With PSI, a return for the donor is given greater importance, particularly when it comes to corporate investment, while philanthropy incorporates in a stronger way values such as solidarity and generosity in its actions.

Restoring the positive values associated with philanthropy and the sense of social transformation, as other regions in the world view philanthropy, prevents it from being stigmatized. Philanthropy tends to involve social actions that do not necessarily seek an economic return or a reputational return for the person who gives a donation. These are important ideas in a world where markets are ever more being incorporated into the social world.

9.4 Promoting a good balance between public and private interests in the case of corporate PSI

As shown in this report, an important trend in corporate PSI has been the alignment between the type of social investment made and the interests of a company, as well as an alignment with corporate foundations and the companies that support them. Such an alignment is a legitimate one and it can bring significant gains for society. The complementary nature of funding between a company and foundation and the sustainability of social investment when it is clearly aligned to CSR policies and sustainability, are some of the benefits these processes of alignment bring. But along with these benefits, there are risks in these processes. Perhaps the greatest risk is when a company confuses alignment with converting a foundation into an instrument of CSR management within a company, when looking to carry out direct PSI, or when a company prioritizes benefit for the company over social benefits. When that happens, more than a win-win situation or generating shared value between business and society, PSI is limited, and becomes subject to the private interests of a company.

It is important to remember that corporate foundations are assets that are concerned with public goals, and as such their role cannot be limited to exploitation in order to privilege private interests and the management of a company. Establishing a good balance between public and private interests, between the social benefit and a return for a company is essential in these processes of alignment. Alignment and PSI criteria should be set within a framework of CSR policies and sustainability, where the social and environmental benefit is central rather than marginal.

9.5 Expanding spaces of dialogue and collaboration

As analyzed in this report, collaboration among foundations and between foundations and other actors has increased in recent years. Understanding that

social challenges are complex, and that to combat them requires coordination between institutions and sectors, it is worth continuing on this advanced path and to deepen dialogue and multi-sectoral and inter-institutional collaboration.

Foundations can play a key role in building bridges, bringing together various actors to carry out analysis, produce viable alternatives to address social problems and build agreements in strategic areas for countries. Foundations have the funding, legitimacy and the time needed to work on complex issues, bringing together various actors, and have the capacity to do so in an inclusive way. This is work that many foundations are developing at the local level and where community foundations are particularly well placed to perform this task.

The prevalence of a project as such, used as a tool between foundations, as well as one with which to seek short-term results, undermines a key role of foundations which is to promote social dialogue, work with a long-term outlook, and promote inter-institutional and multi-sectoral changes and open processes. One challenge facing the foundation world involves finding the necessary tools to include them in their repertoire of methodologies in order to work in more open and uncertain processes, but those that bring immense social benefit.

9.6 Promoting social innovation from PSI

In one of the few reports there are that analyzes the role of foundations in social innovation, the ex-director of the Kellogg Foundation for Latin America, Francisco Tancredi, suggests that the essence of the role of PSI should be to support social innovation. This suggestion was made taking into account that a key role of foundations is to “help shine a light on new paths for society in an ever more bold way, foundations could help leverage innovations, and introduce them into new relevant, permanent and efficient ways into existing institutions and social systems” (Tancredi, 2012, p. 5). In that same paper, Tancredi suggests that the two roles PSI should not carry out are : “[...] building parallel social systems to public systems” and “serving as a source of additional resources to support the activities of public institutions or to readdress the poor results of public programs “. In his opinion, foundations should not carry out these role because

[...] PSI can, and should, have a more noble role, that of encouraging innovation in the social sphere, offering society ways and alternative models of intervention that can be more effective and equally or more efficient forms and models of existing interventions (p. 4).

This role of promoting social innovation creates several challenges for foundations. Firstly, it adds more risk into their strategies. As discussed elsewhere in this report, a large number of social investors seek safe, predictable and short-

term results, which goes against the conditions needed to support innovation. For social innovation to develop, it requires sufficient time for its design and implementation, as well wide freedom to incorporate (or reject) new elements into an intervention, based on lessons learnt that have taken place during the development process. Furthermore, support for social innovation must be open to risk, trial and error, and even to the failure of those ideas proposed that in practice are not achieved in a concrete way. And this openness, having a long-term vision, patience and an appetite for risk are not virtues that are well spread out across the foundation world, so support for innovation requires major changes in the foundation culture.

Furthermore, support for innovation should not be limited to supporting innovative initiatives, but it requires encouraging and supporting ecosystems and innovative social networks. The design, testing, and creation of innovative models and scaling this up needs a broad set of actors joining together, so that it is possible to identify innovations, support them technically, link and disseminate them and give them the legitimacy so that they can be introduced into institutions and the systems in which they can be scaled-up. Along with the innovators, there are other actors in the ecosystem such as: organizations that can replicate innovations (local governments, schools, health centers, civil society organizations and networks of organizations etc.), and international and national cooperation agencies that can bring legitimacy to innovations and disseminate them; national and international foundations that can support the scaling up innovations; advocacy by CSOs that can influence public policies and programs to draw attention to strategies and solution models to address social problems. All these actors play key roles related to innovation, which range from identifying innovations, providing technical and financial support, to giving them legitimacy among other actors, or connecting innovations together and spreading them.

9.7 Sharing and learning about different strategies of impact and scale

Scale and impact are two growing concerns in the PSI world, and strategies to be able to address them are diverse, as has been discussed in this report. Despite progress in initiatives aimed at expanding scale and impact, systemizing and reflecting upon such initiatives is quite lacking. There are few reports in the region that analyze the issue of scale and impact, and there are few spaces for learning to share and build the best alternatives among peers.

Without doubt, it is important for PSI to gain scale in the interventions implemented both through the development of pilot models that can become public programs, joint coordination, and establishing partnerships between vari-

ous public and private actors, and through public policy advocacy or with other strategies. It seems that the importance of scale and impact is taking hold in the discourse of the foundation world, however, in practice there are not many initiatives in this field and less so when it comes to lessons learnt about these initiatives.

A real challenge for the future of the foundations is to dedicate funding to analyze the various ways to increase their scale and impact, properly organize existing initiatives, create spaces between peers to draw from lessons learnt in this field and to collectively produce lesson learnt and disseminate it, and strengthen the capacities of foundation teams to achieve scale and improve the impact of their programs. These types of investments would help allow more actors in the foundation world and other actors to incorporate new strategies in their repertoire improve the quality and effectiveness of PSI and achieve social transformation with greater reach and depth.

This challenge involves building shared agendas, having long-term visions, creating synergies and multi-actor programs, in order to overcome the rationale in specific projects, and to establish continuous processes of action and reflection around the established agendas.

9.8 Expanding different types of relationships with the Government

Foundations, at least in some countries in the region, are better prepared to directly address the problems afflicting the people with whom they work with, so that foundations can get involved in public policy, carry out public policy advocacy or build public-private partnerships. Expanding dialogue with Governments, establishing partnerships and collaborative work, and influencing policy are strategies that can contribute to ensuring social interventions are more effective in terms of their impact.

Throughout this report, it has been showed how foundations have incorporated new relationships with the government, especially through partnerships. It is important to continue on this path, but not limit the relationship with governments to just establishing mechanisms for collaboration. Supporting the creation of control mechanisms (citizen oversight, observatories, citizen empowerment processes, strengthening institutions of control etc.), as well as advocacy processes in public policy (and not just implementation) can contribute in an important way to the deepening of democracy, the public debate and the development of effective social alternatives.

9.9 Including strategies that promote equity and social inclusion in education and in other areas.

Overcoming social inequality, as discussed in the background section, is the great challenge of the XXI century for Latin America. However this challenge is of little importance to social investors, who place greater emphasis on poverty reduction than to closing gaps in income and opportunities. Indeed, in the thematic areas that are core in philanthropy and PSI as is education, there is little work being done to address equity. Education has great potential to contribute to creating equal opportunities and a more equitable pattern of development. But for this to happen, this requires transforming education systems that reproduce inequality and to having explicit policies aimed at closing the current gaps in access and quality within the different stages of education.

Advocacy in PSI that can contribute to the design and implementation of policies with an emphasis on equal access and quality in education, as well as in other areas, would be a huge contribution for creating greater equality of opportunity for citizens. It could also contribute to creating conditions for increased social mobility and a better distribution of power, as well as reversing the current trend in education systems that reproduce social inequality.

Emphasis on equity, be it in education or in other areas, requires a systemic approach and one that is linked to public policies and, therefore, must go beyond the specific projects aimed at ensuring access or quality in public services to thinking about transforming the very systems that provide services.

9.10. Supporting the strengthening of civil society

Strengthening CSOs, including grassroots organizations, is an important task in order to deepen and consolidate democracies in the region and to expand social innovation initiatives and the demand for good governance that is created in civil society.

Several of the existing programs involving the strengthening of CSOs in the region place strengthening processes at the heart of the internal management of organizations. Even though improving management is essential to strengthening processes, it is important to include a strategic political vision, an understanding of the context, of economic policy, and those actors involved in the systems that one seeks to transform.

Furthermore, in terms of financing, it is important to invest in organizations and their processes of strengthening and not limit donations to support specific projects. As with social innovation, the processes of strengthening need individual

support, but they also require promoting an ecosystem of support, advice and connections for CSOs in the areas where the government, international cooperation, academia and consultants participate in.

As for supporting projects, it is important not to limit a view of CSOs as solely operators of foundation projects, but to understand CSOs as autonomous organizations that play their own role in the social field and in the democratic debate. This means increasing the funding available for autonomous CSO projects in order to strengthen them as independent organizations.

9.11. Continuing to promote transparency of the sector

In this report, the significant progress made in the region in relation to the production and public dissemination of reports on foundation activities has been analyzed. But it has been shown there is still a long way to go so that transparency is not limited to these issues but is extended to include what foundations do, how they do it and the difference such efforts have on society. This means turning the wisdom foundations have into public knowledge and making their ways of doing things, and the results and impact of their interventions available to society. Making the knowledge of foundations a public good contributes to building capacity in other actors, which is a major challenge for PSI, and for this to be achieved, it would be a fundamental contribution for the social changes needed in the region.

Furthermore, following the example of Mexico, promoting the creation of government websites and platforms that make information accessible to the public using information provided by the foundations to governments, would be an important advance in terms of transparency in the sector. Publishing information and accumulated knowledge about the foundation sector would contribute to increasing confidence among citizens about the social work these institutions do and promote PSI with greater force.

9.12. Deepening a knowledge and practices of social businesses and creating dialogue with PSI and philanthropy

Social business and market mechanisms in the social sphere constitute a new perspective in the PSI world and in philanthropy in the region, which have great potential to generate sustainable transformation. However, this has limits in the areas social business and market mechanisms can act with force. Market solutions are relevant in and for social change, but they are not the only strategy for change that can be used. In this sense, moving forward with and developing the potential of social business is crucial. It would be sound and more fruitful to

establish a constructive dialogue to better understand the strengths and limits of both market solutions as well as the other PSI strategies, in order to generate a peaceful coexistence between these two fields, rather than look for a monopoly of the truth in any of these fields.

9.13. Promoting peer learning and making knowledge a public good

Knowledge management is an emerging issue in the foundation world, and there is a wide field of opportunities to improve on this.

Making learning a central strategy of PSI involves overcoming the false dichotomy between supporting those projects that bring direct benefit and spending money on learning. This dilemma occurs only when it is assumed that the main contribution of foundations is about the direct benefits their interventions bring. Among the strategies available to scale-up and improve the effectiveness of PSI and the impact of its interventions includes supporting social innovation, advocacy in public policy and with private actors, strengthening the capacities of CSOs, etc. Since these strategies require management processes and the dissemination of knowledge it is clear then that no dilemma exists, but rather that there are different ways of intervention. Within these alternatives, those that use lessons learnt can become more powerful strategies for large-scale social change and have greater impact than those interventions aimed at directly solving the needs of a particular population.

9.14. Continuing dialogue and coordination of initiatives between associations of foundations in the region

The role that the associations of foundations have played in the region, as analyzed in this report, has been instrumental in promoting PSI and philanthropy. To move forward and to meet the challenges that have been outlined in this section, the active participation of associations will be indispensable.

The four associations of foundations in Argentina, Brazil, Colombia and Mexico have had during the course of their institutional lives many opportunities for exchange, learning and support among themselves. With WINGS, they have participated in several joint initiatives, but this report is the first regional initiative of the associations. Continuing with the exchange, learning and development of regional initiatives is perhaps not only important for each of the national associations, but for the region and for the creation and strengthening of other foundations of associations.

Peer learning, training and providing information are services provided by the associations and other organizations in the sector's infrastructure and these

are considered to be the most useful services. (WINGS, 2014, p. 14). To systemize what has been done in each of these fields and other relevant ones would be useful to the foundation world and for the foundations of associations.

The organizations that make up the infrastructure of philanthropy, as the WINGS report says,

[...] find themselves under pressure to demonstrate in better ways their effectiveness. But as the 2005 report by the Monitor Institute suggests, pressure to be effective creates opportunity. This pressure can lead to innovation and to new ways of working that can transform practices. More importantly: having better evidence of the importance of the infrastructure would benefit both the organizations that make up the infrastructure of philanthropy and also foundations, taking the capacity philanthropy has to create positive change in the world even further (p.17).

POSTSCRIPT

LATIN AMERICA, A STEP FORWARD

From the very moment the idea was born to capture in a study the thoughts that arose from informal discussions, which the institutions who took part in this study promoted, we realized the value that this would have in sharing lessons learnt among ourselves and with other peers. In addition, the study would also serve as an incentive for other institutions, companies and foundations in the region to strengthen knowledge and the practices of private social investment and philanthropy within a framework of more active and organized collaboration.

As noted in this study, the work of philanthropy and private social investment in Latin America today is not unknown. Indeed, the dynamism the sector has shown in recent years has led it to be recognized as a world leader. Countries in North America have their sights on us, not only as a region that receives donations but one that contributes knowledge, learning and social practices.

However, despite the progress the region's economies have made, the social challenges facing Latin America continue to demand our attention and private funding continues to be important in bringing about social change. As such, coming together to research and reflect upon our work is so important, and even more so when one can rely on having the support of such excellent partners like the IDB, Avina Americas and WINGS, which decisively supported the carrying out of this study. This global network, which joins together the four associations that promoted this study, and which are present in over 34 countries, has managed to identify that the major global challenges are by no means unconnected with those trends as revealed in our study.

While there has been significant progress in the practice of private social investment and philanthropy in the region, as this study reveals, it must be recognized that we still have certain constraints in terms of information and transparency. However, we are confident that if we strengthen in a collective way, our endeavors will be made easier, including data collection and consolidation, in order to transcend the borders of institutions and even countries. In the future,

we hope not in a too distant one, we will provide figures as a region and identify areas of joint action that will allow us to advance in this common purpose of achieving more inclusive, equitable and just societies.

It has been rewarding for the Group of Foundations and Corporates of Argentina (GDFA), the Group of Institutes, Foundations and Corporations in Brazil (GIFE), the Association of Corporates and Family Foundations of Colombia (AFE), the Mexican Center for Philanthropy (Cemefi), Avina Foundation, Avina Americas and the Inter-American Development Bank (IDB) to come together as a single team to create and promote this study on private philanthropy and social investment in Latin America.

It has also been rewarding in terms of the dialogue that was put forward when creating and outlining this study, also because of the joining together of our efforts in order to produce the study, and for the invaluable results that the study has brought, where we find lessons learnt, thoughts and challenges to continue building together.

We would like to take this opportunity to thank Rodrigo Villar, who as a consultant and researcher led this project, allowed us to complete the first collective study Cemefi, the GDFA, the GIFE, the AFE, the IDB, Avina Americas and WINGS have done. To the working groups of all these institutions, thank you also very much for your support.

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ANNEX 1. TECHNICAL NOTE METHODOLOGY USED IN THE STUDY

This study was conducted putting several methodologies together: document analysis, focus groups and interviews. Furthermore, the study had the support and continuous feedback from an Advisory Committee and special contributions from a group of experts familiar with the issue of PSI and philanthropy in the region, and feedback from participants who took part in two panels in international events where the study were presented.

Below the methodology used in the study is explained:

1. Advisory Committee.

Its role was to suggest the key themes of the study and provide feedback on its progress. Feedback was given during virtual meetings every two months during the period of analysis, and feedback on the final draft of the study was given in writing. Furthermore, most of the Committee members participated in public presentations on panels in international events where advances in the research were presented and they provided new points for analysis.

The Advisory Committee comprised of:

- » María Carolina Suárez. Executive Director of the Association of Corporate and Family Foundations of Colombia (AFE).
- » Carolina Langan. Executive Director of the Group of Foundations and Corporations in Argentina (GDFA).
- » Andre Degenszajn. Secretary General of the Group of Institutes, Foundations and Corporations of Brazil (GIFE).
- » Ana Leticia Silva. GIFE Coordination Manager
- » Iara Rolnik. GIFE Knowledge Manager.
- » Jorge Villalobos. Executive President of the Mexican Center for Philanthropy (Cemefi).
- » Lorena Cortés. Director of Research and Public Policy at Cemefi.
- » Guayana Páez-Acosta. Executive Director of Avina Americas.
- » Daniel Hincapie. Office of Strategic Partnerships of the Inter-American Development Bank (IDB).

- » Helena Monteiro. Executive Director of Worldwide Initiatives for Grantmaking Support (WINGS).

2. Document analysis

For the document analysis, the main existing papers on social investment and philanthropy were reviewed for each of the issues examined in the study and the key documents produced in the countries, which were suggested by the Advisory Committee.

3. Focus groups and interviews (this varied between countries)

In the four countries included in this study, interviews and focus groups were conducted, which sought to have a diverse range of opinions about the issues discussed in the study. To do this, in each country the participation of foundation directors or CSR company managers was sought, along with members of technical teams from foundations or companies, academics and public officials. The number of interviews or participation in the focus groups by different types of people varied from country to country, but in all of these interviews and focus groups it was possible to get qualified information from each of the groups of people mentioned above.

In Colombia, focus groups took place in Bogotá, Cali, Medellín and Barranquilla in which AFE foundations, members of the Management Board and officials from the national Government participated in. Additional interviews were conducted in Bogota.

In Mexico, focus groups took place in Mexico City, Guadalajara and Puebla and interviews were done in Mexico City.

In Brazil, a focus group and interviews took place in Sao Paulo. In addition, the report's author took part in two groups that discussed key issues in the study (transparency and exit strategies when working with communities).

In Argentina, interviews were conducted in Buenos Aires and in Rosario, taking advantage of the fact that foundation directors were taking part in the XII GDFE Annual Conference, in September 2014.

The following guide was used for both the interviews and focus groups:

I. Definitions:

- » What do you understand by private social investment?
- » What do you understand by philanthropy?
- » How does one differentiate between PSI and philanthropy?

II. Actors

- » Who's involved in PSI and philanthropy?
- » What differences are there between corporate, family, and independent foundations and companies in the way they carry out PSI?

III. Tools

- » What are the main tools used when carrying out PSI and philanthropy? (monetary donations, donations in-kind, loans, consultancy work, technical support, training, providing support, etc.)

IV. The current state of PSI

- » How would you describe the current situation of PSI compared with 10 years ago? What have been the main changes in PSI in the last 10 years?
- » Is PSI growing or declining? What are the reasons for these changes?
- » Have the actors involved in PSI changed in the last 10 years? In what way?
- » Have the tools used to carry out PSI changed in the last 10 years? What are the implications of such changes?
- » Have the subject areas changed in the last 10 years? How would you explain this change?

V. Developments in PSI

- » What are main developments or innovations in PSI that are currently taking place in the country? (In terms of actors involved, tools used, and issues). Who is generating change in the field of PSI?

VI. Collaboration between actors in PSI

- » Is there a collaborative environment these days between the different actors involved in PSI?
- » What are the main forms of collaboration?
- » Is there more collaboration now than there was 10 years ago? Give examples.
- » What are the main challenges in generating greater collaboration among PSI actors?

VII. Relationships with the government

- » How would you describe the collaboration today of PSI actors with Governments (national, state, and municipal)?
- » Has this relationship changed in the last 10 years? And in what way?
- » What are the main ways of collaboration among PSI actors and Governments?

- » Are there differences in the way people collaborate depending on the level of Government (national, state and municipal)?
- » What are the main challenges in order to promote greater collaboration with governments? What has to be done to face these challenges?

VIII. Relationships with civil society

- » How would you describe the current relationship foundations have with NGOs, grassroots organizations and other expressions of civil society?
- » Has the relationship between PSI actors and NGOs and ODBs changed in the last 10 years? What are these changes and why they have occurred?
- » To what extent are financial resources being targeted and other types of resources in order to strengthen ONGs and ODBs? In what ways?
- » What are the main challenges regarding the relationships between NGOs and OSCs? How can you tackle these challenges?

IX. Challenges

- » To sum up, what do you consider to be the three main challenges facing PSI? How do you tackle them?

X. Existing research about PSI

- » Recommendations about research on PSI and figures on the amount of investment made.

4. Public presentations of advances in the research

During the study, three presentations were given about advances in the study. In Brazil, at the 8th GIFE Congress (19-21 March 2014) in Sao Paulo, Carolina Langan (GDFE), Carolina Suarez (AFE), Andre Degenszajn (GIFE), Margareth Flórez (RedEAmérica) and Rodrigo Villar participated in a panel. During the panel, the report's author, Rodrigo Villar, presented advances in the research and the panelists analyzed and discussed the main trends and challenges facing PSI and philanthropy in Latin America.

At the XII Annual GDFE Conference held in Rosario, Argentina, on September 19, 2014, the author gave a presentation about the progree made in the study and had the opportunity to receive comments from GDFE members participating in the Conference.

At the XII Ibero-American Civil Society Meeting in Guadalajara, Mexico, a panel on philanthropy and investment was organized in which Guayana Paez-Acosta (Avina), Carolina Langan (GDFE), Roberto Pizarro (director of the Carvajal Foundation and the President of AFE's Managing Board), Andre Degenszajn (GIFE),

Lorraine Cortez (Cemefi) and Maria del Rosario Mendez (Advisor to the Eugenio Mendoza Foundation, Venezuela) participated in. Rodrigo Villar moderated the panel. The panel discussed some points about the advances of the study with which to analyze the main trends in PSI and philanthropy, and this was complemented with views from each of the participants.

5. Special contributions made to the final document

A draft version of the final document was read by members of the Advisory Committee, and comments were made both during virtual meetings, as well as in writing by each of the team's of the associations of foundations.

Margareth Florez, executive director of RedEAmerica, also read the final draft and made important suggestions for changes.

Maria del Rosario Mendez wrote a text about the state of PSI and philanthropy in Venezuela so that key aspects about the country could be incorporated into the study.

Teams of lawyers with the associations of foundations who participated in this study wrote a small text in answer to questions from the author about the legal structure of the “foundation sector.”

