

Chile

From Prosperity to Purpose

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



Chile at a Glance

Population

17.62 million

GDP

US\$277.2 billion

GDP growth rate

4.2%

GDP per capita

US\$15,732

Gini index

50.8 (2011)

UNDP Human Development Index

0.822 (41st of 187 countries)

Social Progress Index

76.30 (30th of 132 countries)

Poverty headcount ratio at US\$4/day

9.9% (2011)

Poverty headcount ratio at US\$2/day

1.9% (2011)

Poverty headcount ratio at national poverty line

14.4% (2011)

Unemployment total (of total labor force, national estimate)

6.4% (2012)

All data from World Bank and 2013 unless otherwise noted.

Chile: Country Context

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

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

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

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

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

Philanthropy and Social Investment in Chile: Key Features and Trends

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

Impact of Government Policies Unclear

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

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

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

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

Limited Philanthropic Knowledge and Infrastructure

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

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

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Paola Luksic

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

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

Strong Family Orientation for Philanthropy

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

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

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

Strong Influences of Church, State, and Voluntary Sector

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

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

Philanthropic Motivations and Influences

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

Philanthropy Reflects and Reinforces Family Values and Bonds

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

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

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

A Strong Sense of Social Responsibility

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

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

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

George Anastassiou

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

Personal Passions Guide Giving

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

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

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

Philanthropic Priorities and Purposes

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

Education a Top Priority

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

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

New Models for Effective Education

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

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

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

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

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

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Paola Luksic

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

George Anastassiou

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

Anonymous

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

Creativity and Arts in Education

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

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

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

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

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

Neglected Populations at Center of Much Giving

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

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Sven von Appen

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Nicola Schiess

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

Equitable Health Care a Passion for Some

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

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

Interest in Social Entrepreneurship Emerging

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

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

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

Philanthropic Platforms and Strategies

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

Multiple Philanthropic Platforms

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

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

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

Grantmaking is a Growing Practice

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

Elements of Venture Philanthropy Demonstrated

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

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

Piero Solari

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

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

A New Visibility in Giving

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

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

Collaboration and Partnerships to Increase Impact

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

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

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

Esperanza Cueto Plaza

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

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

Looking Ahead: Challenges and Opportunities

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

Building Trust Key to Building Philanthropy

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

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

Call for Better Knowledge and Transparency

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

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

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

Felipe Ibáñez

More Opportunity for Peer Learning Sought

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

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

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

Demonstrating Impact is Essential

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

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

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

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

Mario Valdivia

More Favorable Tax Benefits Could Boost Giving

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

Potential of the Next Generation

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

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

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

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