

# Mexico

*From Prosperity to Purpose*  
Perspectives on Philanthropy and Social Investment among  
Wealthy Individuals in Latin America



# Mexico at a Glance

## Population

122.3 million

## GDP

US\$1.261 trillion

## GDP growth rate

4.7%

## GDP per capita

US\$10,307

## Gini index

48.1 (2012)

## UNDP Human Development Index

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

## Social Progress Index

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

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

23.7% (2010)

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

4.5% (2010)

## Poverty headcount ratio at national poverty line

52.3% (2012)

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

4.9% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Mexico: Country Context

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

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

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

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

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

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

## Historical Role of the Catholic Church

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

## Philanthropy Evolves with Government Changes

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

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

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

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

### Scale and Scope of Philanthropy Largely Unknown

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

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

### Political and Policy Environment Improving

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

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

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

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

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

Manuel Arango

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

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

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

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

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

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

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

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

## Infrastructure to Support Giving and Social Investment

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

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

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

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

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

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

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

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

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

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

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

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

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

## Community Philanthropy

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

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

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

# Philanthropic Motivations and Influences

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

## Family Role Models, Values, and Traditions Influence Giving

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

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

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

## A Strong Sense of Social Responsibility

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

## Family Values Intertwined with CSR and Community Commitment

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

# Philanthropic Priorities and Purposes

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

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

## Policy Reform for Profound Change

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

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

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

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

## Improving Health Services and Equity

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

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

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

Alejandro Ramírez

The *Cinépolis Foundation* provides an additional example of a unique health intervention program. Visual health is the Foundation's principal social program and its core efforts focus on the financing of cataract surgeries in Mexico's rural areas. Over the past eight years, the Foundation has funded more than 24,000 eye operations that have helped people recover their sight. Alejandro Ramírez said: “*We learned that cataracts are the number one cause of blindness in Latin America. Yet this is a very cost-effective intervention. It costs us about US\$500 to give back the possibility of seeing, so the socioeconomic returns of these interventions are immense.*” What's more, he emphasized, many of these individuals are now able to work again, thereby increasing their incomes as well as their feelings of self-worth.

An anonymous interviewee expressed that although her family has long been involved in social investing, she plans to create a new independent foundation and said that Parkinson's disease will likely be the primary focus of its efforts.

### **A Holistic Approach to Development**

While some focus on a specific issue such as health care, other individuals and families are working across several sectors to promote holistic social development among populations that are poor, vulnerable, or at-risk. The Servitje family foundation, *Fundación Sertull (Sertull Foundation)*, has set out to break the “*vicious circle of great social problems,*” with efforts in education, health, livelihoods, culture, human rights, the promotion of Christian humanism, and temporary assistance. The Foundation focuses particularly on children, youth, women, and rural communities, since it sees these groups as critical for promoting social development. As Marinela Servitje emphasized, “*The youth are strategic to boosting the country's development and disadvantaged women are pivotal in the fight against extreme poverty.*”

### **Preserving Mexico's Rich Cultural Heritage**

Mexico has a strong cultural heritage and some philanthropists are very interested in helping to preserve this legacy. *The Amparo Foundation* was established in 1979 by Manuel Espinosa Yglesias, who was then CEO of Mexico's largest bank. His grandson, José Antonio Alonso Espinosa, served as the Foundation's president for five years and is a current board member. The core mission of the *Amparo Foundation* is to promote cultural and educational initiatives for the conservation, study, and dissemination of Mexico's cultural heritage. The Foundation has supported a great deal of work in the Historic Center of Puebla, including: the restoration, operation, and management of the *Mercado La Victoria* and the *Paseo Bravo* in 1994; restoration of pre-Hispanic monuments, including 840 temples in Puebla that were damaged by the earthquake of 1999; and restoration of the chapter house of the former convent of *Santo Domingo de Guzmán* in Izúcar de Matamoros. They also initiated and led the creation of the Amparo Museum, one of the most important historical museums in Mexico. At the same time, recognizing that few museums in Mexico possessed the management skills needed to operate effectively, the Foundation started a program to train museum professionals, in partnership with other Mexican philanthropists and modeled after a Getty Museum certification program.

Independent of her family's foundation, Marinela Servitje also individually supports cultural programs. She provides leadership support to *Papalote Museo del Niño* (Papalote Children's Museum) and has also helped to raise US\$14 million for its support. As a result, the museum recently completed a four-year MXN\$ 15 million (US\$1 million) renovation. In an additional example, Manuel Arango's wife, Marie Thérèse, along with a small group of interested individuals, promoted and founded the Popular Art Museum in Mexico City, which is housed in an Art Deco building provided by the Mexico City government.

Several individuals interviewed are involved in the governance, preservation, and restoration of *Bosque de Chapultepec* (Chapultepec Park), Mexico City's largest oasis, which covers more than 1,600 acres. Chapultepec Park includes extensive forests, lakes, and several sights and attractions including the *Monumento a los Niños Heroes* (Monument of Young Heroes), one of Mexico City's most important monuments.

# Philanthropic Platforms and Strategies

Throughout Latin America, individuals and families are employing a variety of platforms and strategies to conduct their giving and increase its impact. In Mexico, there is broad consensus that much giving is undertaken directly, rather than through an institution. At the same time, many individuals highlighted their use of a variety of philanthropic platforms and multiple strategies to address a wide variety of issues.

## **A Variety of Philanthropic Platforms**

As discussed earlier in this chapter, many individuals and families in Mexico are engaged in philanthropic giving through corporate foundations and giving programs. Yet several interviewees talked about their family foundations and an increasing move towards focus, strategy, and professional operations. Two years ago, Dionisio Garza Medina set up a family foundation in which his three sons are now quite active. Marinela Servitje reported that giving through their family foundation was informal until seven years ago, when they decided to become more professional and focused. In developing her new foundation, one anonymous interviewee shared her determination to install a professional staff with financial and other systems management expertise, as well as to create transparency in all the activities in which the foundation engaged. And asked by her brothers to lead a new foundation set up among the siblings, Blanca del Valle Perochena has begun a comprehensive strategic planning process, *"We want to do something transformative, to work in places others do not."*

There are also examples of new and creative organized platforms for giving and social investing in Mexico. As noted earlier Mexico is the only country in the region to have a broad community foundation sector as well as other collective giving models, such as *FECHAC* and *Comunidar*. Manuel Arango described another interesting example of a philanthropic platform when he talked about his niece, who has set up a family-giving network in which anyone in the family over 16 years old can participate. Family members research and identify prospective organizations for grants and describe them on a private website. Everyone in the family network can vote on which organizations the family will fund.

## **Preference for Operating over Grantmaking Model**

There is a mix of operating and grantmaking strategies across foundations, and while there are some foundations that exclusively employ one strategy or the other, a majority of foundations do both. In research conducted by Rodrigo Villar, a research affiliate of *CIESC*, findings indicated that in Mexico 11 percent of corporate foundations only operate their own programs, 28 percent are exclusively grantmaking and 61 percent do both.<sup>24</sup> However, there is consensus that in terms of monetary investments, operating programs predominate. Considering overall (individual and foundation) giving, experts interviewed estimated that about 20 percent of total giving goes to third-party organizations, entities or programs.

There appear to be several key reasons why operating programs dominate in the foundation sector and overall NGO support is limited. First, interviewees suggested that there is a lack of confidence and trust in the nonprofit sector; many view nonprofit organizations, with some important exceptions, as lacking professionalism, expertise, and transparency. Second, many individuals, working on a variety of different issues, emphasized that they can have greater impact operating their own programs or providing direct support to individuals. A third reason was an important sense of personal fulfillment, with several people explaining that they wanted to be directly engaged with the communities and individuals they hoped to assist.

“In general, there are not enough resources engaged in supporting and strengthening civil society. Good nonprofits are growing faster than the grantmaking.”

Jorge Villalobos

“There are lots of NGOs and social entrepreneurs who know their fields, and we need to help them create positive change.”

Blanca del Valle Perochena

At the same time, there are a few foundations that have chosen to dedicate most of their giving to grantmaking, and several individuals emphasized the importance of supporting and strengthening civil society organizations. For example, the *Sertull Foundation* supports over 130 projects across Mexico and 95 percent of their budget is dedicated to grantmaking. The Foundation sponsors training courses focused on capacity building for nonprofits, including issues of governance, fundraising, management, and impact measurement. The Foundation believes that part of its core mission is to “contribute to [Mexico’s] social development by supporting organizations working for people in poverty.” And as one of their key strategic objectives states, “We support civil society organizations that promote social development to professionalize and strengthen their actions.” The foundation now being created by the del Valle family will likely engage in significant grantmaking as well, according to Blanca del Valle Perochena: “I would like to remain engaged with organizations we fund, but we don’t need to run the programs, especially since we invest in organizations who know their fields well.” She continued, “There are lots of NGOs and social entrepreneurs who know their fields, and we need to help them create positive change.”

Several experts echoed these sentiments. Jorge Villalobos, executive president of *CEMEFI*, emphasized, “The few foundations we have in Mexico operate their own projects... In general, there are not enough resources engaged in supporting and strengthening civil society. Good nonprofits are growing faster than the grantmaking,” Mónica Tapia of *Synergos México* expressed similar thoughts; “There is a deficit of grantmaking in Mexico. There are many very good civil society organizations, many developed with the help of international funders, addressing important issues around human rights, democracy, and the role of media. But there is little Mexican support for these groups. The limited national grantmaking tends to support human services and traditional charity.”

In addition, many operating foundations also seek additional funding from other individuals, foundations, aid organizations, government, or other sources. This, in turn, may limit the financial support available for other CSOs, which are put in the position of competing with foundations for limited resources.

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

As in many countries, people in Mexico expressed interest in social entrepreneurship, but it is unclear how much actual investment there is in the sector. As part of the *Cinépolis Foundation’s* core efforts around visual health, the Foundation supports a social enterprise, *Sala Uno* (Room One), which delivers cataract surgery at far less cost than most hospitals and is known internationally for its business model.

There are several initiatives in Mexico that may increase the visibility and interest in social entrepreneurship in the years ahead. A new government office, the *Instituto Nacional del Emprendedor* (National Institute of Entrepreneurs), has been established to foster and support a culture of social entrepreneurship in the country. Since 2004, the *UBS Visionaris Social Entrepreneurship Award* has helped to recognize and empower innovative, impactful entrepreneurs who are working to solve immense social problems in Mexico. Conducted in partnership with *Ashoka* and a selection panel of local philanthropists, UBS has hosted 11 events in Mexico, awarded more than US\$740,000 in Mexico, Brazil, and Argentina, and provided technical assistance support to these social businesses and organizations. In addition, the *Schwab Foundation Latin America* presented its *Social Entrepreneur of the Year Award* to a Mexican social entrepreneur for his health care efforts; this was one of only seven winners across the region in 2014.

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

Interviewees did not express significant interest in impact investing, though there is a strong suggestion that there is notable activity and interest in the strategy among a broader cohort of Mexicans. According to a Bain and Company report on impact investing in Latin America, Mexico, along with Brazil and Colombia is a hub of impact investing in the region, with approximately US\$100 million invested in the country.<sup>25</sup> In 2011, IGNIA was the largest venture/impact investing fund in Mexico and announced a commitment of US\$200M over the next 12 years for impact investments in small and medium enterprises.<sup>26</sup> Additionally, a collaborative effort led by *Promotora Social México* (Social Promoter Mexico), an active venture philanthropy foundation, resulted in the creation of Mexico's Global Impact Investing Map in 2013. The project team reports that they have identified 514 organizations involved in impact investing in Mexico and have obtained detailed information about 85 of the most active organizations.<sup>27</sup>

*Nacional Monte de Piedad (National Pawnshop)* is one of the country's oldest and most prominent nonprofits/foundations/ social enterprises, that has provided financial access and services to the country's poor since 1775. Recognized as a "public benefit institution" by Mexico's government in 1836, *Nacional Monte de Piedad* now operates more than 300 branches throughout the country, offering low-interest and interest-free loans and credit services.<sup>28</sup> Profits are then distributed to private charity and nonprofit organizations that serve poor and vulnerable populations. Its president at the time this study was being conducted, Maximiliano Echeverría Aguilar, said that the Foundation has recently undertaken efforts to expand into impact investing and has established a committee to oversee the creation and development of a new impact investing fund. He explained, "*Impact investing is a natural extension of what Nacional Monte de Piedad has done for more than 250 years. We were built on social principles and are interested in exploring new models of social investment.*"

# Looking Ahead: Challenges and Opportunities

The individuals who were interviewed and surveyed for this report were realistic about the challenges to philanthropic growth and impact in Mexico, but simultaneously optimistic about the future of giving and social investing in the country. Many believed that giving is growing and becoming more strategic, albeit slowly and largely among corporations. And the conversations elicited many suggestions for how to confront the challenges and take advantage of the opportunities, many of which are closely intertwined.

## Importance of Demonstrating Impact

Individuals repeatedly emphasized the importance of demonstrating philanthropic impact, emphasizing their belief that the lack of information about how previous and ongoing philanthropic endeavors have made a true difference is a major impediment to increased giving. Survey respondents said that the absence of demonstrable impact is the greatest obstacle to increasing their own philanthropy and saw it as the most important challenge to increased giving among other wealthy individuals and families. One philanthropic expert commented, *"There are good examples of social investment in Mexico, but information is not easily shared. Seeing impact could inspire others."*

To address the issue of impact, people recommended more impact studies, greater coverage of philanthropic accomplishments in the media, and more opportunities for peer engagement in order to understand what impact others are having. Manuel Arango's view confirmed that *"seeing is believing"* in terms of motivating newcomers to participate in grantmaking and related activities: *"What really gets people motivated is not, for example, reading books, but seeing things happen, projects that have been created by individuals. That has an impact such that people say to themselves, 'Yes, I would like to do something like that.'"*<sup>29</sup>

In addition to demonstrating success stories in Mexico, individuals and experts suggested that showing how philanthropy has had strong impacts outside of the country would be useful. When asked if he could introduce one change to the status quo that would make the biggest difference, Manuel Arango said: *"Probably the ability to present, either electronically through the internet or through publishing, projects from different parts of the world that could make a difference. ... [To] say, here we have 50 or 60 or 100 projects that can really make a difference. Read about them."*<sup>30</sup>

## Need for More Role Models and Peer Engagement

Closely related to the need to demonstrate impact, study participants acknowledged that there were few role models for private, as opposed to corporate, philanthropy in Mexico. They viewed this to be particularly lacking with respect to grantmaking. They also emphasized that there were too few opportunities for peer engagement.

Of course, Carlos Slim has become one of the country's most visible social investors and recently combined several independent foundations into *Fundación Carlos Slim (Carlos Slim Foundation)*. With an endowment of US\$ 3.5 billion, its mission is *"to establish a range of non-lucrative projects in education, health, justice and personal and community development by contributing human and financial resources to equip Mexican society with the necessary tools to succeed professionally and socially."*<sup>31</sup> Many of the individuals in this study could also be role models, although currently many of their efforts seem to be invisible within the country.

While Mexico has more philanthropic support organizations than many countries, some individuals believed that there are still limited opportunities for non-corporate peer engagement in settings that are neutral and respected. Determining ways to bring wealthy families and individuals together is an important tactical step. *Synergos'* model of peer engagement was mentioned as one worthy of more exploration. Models such as the *Transforming Philanthropy Initiative* in Colombia are also promising. Persuading current philanthropists to talk with others about what they have explored and accomplished is an important means of potentially increasing philanthropy.

### **Encouraging the Younger Generation**

Some of the interviewees felt that their children and grandchildren were more independent than previous generations: moving away from family businesses and the related foundations, and as such more likely to disengage from family traditions of giving. Others were concerned that this generation is so caught up in their careers and immediate families that giving back seems like a very distant goal.

While several people felt discouraged about the next generation accepting social responsibility, there were also reasons for optimism. Many of the people who agreed to be part of this study and are active social investors are already considered the “next generation” – those between 40 and 60 years of age who have taken over leadership of their family giving efforts. Younger family members are also taking initiative, for example as members of *Nexus*, the global organization of more than 2,000 young social investors, entrepreneurs, and professionals working to increase and improve philanthropy and social investment. Likewise, Manuel Arango’s niece has created an internet-based platform to encourage multi-generational family giving, as previously mentioned. Looking to other countries, both the *Transforming Philanthropy Initiative* in Colombia and *GIFE* in Brazil have developed programs specifically tailored to younger people and next generation philanthropists that could be models for Mexico.

### **Building Capacity and Confidence in Nonprofit Organizations**

Interviewees spoke of a general lack of trust in all sectors in Mexico these days – whether it be government, nonprofits, or even the Church. This general lack of trust, and most specifically the lack of confidence in nonprofit organizations, is considered a significant obstacle to philanthropy, particularly to the growth of grantmaking. Nonprofits have earned a reputation – fairly or not – for being unprofessional, inefficient, wasteful, and even corrupt. Michael Layton of *ITAM* said, “*The staircase to get from idea to implementation is underdeveloped in Mexico’s social sector.*”

Encouragingly, there are a number of initiatives that could bring new levels of transparency and professionalism to the field, e.g., the recent creation of organizational databases in the sector is a major advancement. In addition, as described above, a few foundations are trying to develop greater professionalism and capacity among NGOs. Moreover, several individuals expressed the belief that others would likely become involved in giving if they felt they could provide funds to a trustworthy nonprofit. Participants believed that, if the nonprofit sector could become more professional, show transparency, and provide evidence of successful endeavors, then giving levels and patterns might change. Some recommended that more academic courses in nonprofit leadership and/or professional development could create stronger social sector leaders as well.

### **Policy Environment and Relations with Government May be Improving**

Many have spoken of unfavorable government policies – especially a lack of tax incentives – as one reason some people decline to give more. Others suggest that this is not the chief impediment to giving, but may have some influence. One interviewee emphasized, *“Tax incentives would certainly help. They might not be the main driver but they would encourage many to give more.”*

However, in recent years the government has shown some interest in working with private foundations and wealthy individuals. For example and as noted earlier, the government of Mexico City donated a building for the Popular Art Museum in Mexico City. Although such examples may seem minor and infrequent, they may demonstrate a potential opening in the high wall between the government and philanthropists.

### **Attitudes toward Philanthropy Evolving**

Although there has been progress in terms of how philanthropy is perceived, much still needs to be done to change hearts and minds. Indeed, this may be the most critical element for developing philanthropy in Mexico. Even today, private giving is largely seen as a way to alleviate immediate suffering and not as a means to create lasting social change. Poverty reduction and the provision of quality education, health, and other basic services are largely seen as the responsibility of the state. Several individuals acknowledged that they continue to direct their giving to the Church and toward establishing a legacy, e.g., providing scholarships for priests and schools. Others emphasized the lack of a social change philosophy. Jorge Villalobos of CEMEFI explained, *“There was a study done by the Ford Foundation on why the culture of giving is different in Mexico. They found that throughout history someone was always telling us what to do. We don’t have a word for empowerment.”*

At the same time and as already discussed in detail, consensus was strong among study participants that attitudes toward philanthropy are changing for the better. This report has highlighted many examples of individuals and families engaging in or supporting efforts designed to change the status quo. More generally, interviews suggested that an increasing number of wealthy individuals and families believe that giving back to society and helping Mexico’s neediest citizens is an important stabilizer for the nation.

Together, a better understanding of tangible results, more opportunities for peer engagement, active engagement of younger generations, and a more favorable policy environment could tip the scale and lead to a new culture of giving and social investment. *“We need to create a culture of giving where people will begin to feel something is missing in their life if they’re not part of it,”* said Manuel Arango, *“I believe we can do this.”*

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