

# Peru

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



# Peru at a Glance

## Population

30.38 million

## GDP

US\$202.3 billion

## GDP growth rate

5.8%

## GDP per capita

US\$6,662

## Gini index

45.3 (2012)

## UNDP Human Development Index

0.737 (82<sup>nd</sup> of 187 countries)

## Social Progress Index

66.29 (55<sup>th</sup> of 132 countries)

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

25.8% (2011)

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

8.7% (2011)

## Poverty headcount ratio at national poverty line

23.9%

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

3.6% (2012)

All data from World Bank and 2013 unless otherwise noted.

# Peru: Country Context

Peru is a multiethnic country with a population of more than 30 million people. It is rich in biodiversity and cultural heritage, and has a strong sense of national identity. Having survived an extremely violent conflict perpetrated by both the government and the Maoist group Shining Path during the 1980s and 1990s – in which roughly 70,000 civilians were killed – Peru has emerged as a relatively stable and thriving nation in the early 21<sup>st</sup> century. With growth, Peru has benefited from greater equity, poverty reduction, decreased unemployment, and a growing middle class. In 2013, its GDP stood at US\$202 billion.<sup>1</sup>

Peru's situation has changed dramatically over the last generation. Faced with rampant inflation, which soared to greater than 12,000 percent in 1990, Peru implemented extreme economic reforms under controversial President Alberto Fujimori throughout the decade.<sup>2</sup> Fujimori's neoliberal reforms, which promoted international investment, reduced government spending, and increased trade, proved successful in halting hyperinflation and won him some public favor despite his authoritarian style.<sup>3</sup>

Since 2000, Peru has experienced significant levels of economic growth. The country's GDP grew at an average rate of nearly 7 percent annually from 2005 to 2013.<sup>4</sup> This economic growth has translated into great wealth for a small minority of Peru's population. At the end of 2013, one study estimated that there were 23,009 HNWIs in Peru, with a combined wealth of more than US\$127 billion.<sup>5</sup> Moreover, ten Peruvians were included on the 2013 *Forbes* billionaires list compared with only two the prior year. Their accumulated wealth totaled US\$23.3 billion, or more than 10 percent of the country's GDP.<sup>6</sup> Despite such concentrated wealth, Peru's inequality is relatively low for the region. In 2012, the Gini index of Peru was 45.3; the second lowest ranking of all countries in this study.<sup>7</sup>

Social welfare has improved and poverty has fallen considerably in the last decade, uplifting a broad base of the country's population. The number of Peruvians living in poverty (on less than US\$4/day) declined by nearly one-half, from 46.5 percent of the population in 2005 to 25.8 percent in 2011, and the number in extreme poverty (on less than US\$2/day) fell from approximately 19 percent to 8.7 percent.<sup>8</sup> According to a UNDP report, between 2000 and 2012, Peru's middle class (the population living on US\$10–50/day) grew by 19 percent, more than doubling its size to 34.3 percent of the overall population.<sup>9</sup>

However, inequalities and poverty persist for many Peruvians. A 2010 study by UNICEF found that 78 percent of Peru's indigenous children, a population of more than one million, live in poverty, nearly double that of other children.<sup>10</sup> Poverty is also highly concentrated in the country's rural regions. In 2013, 48 percent of Peru's rural inhabitants still lived in poverty, as measured at the national poverty line – double the country-wide average – compared to only 16 percent of urban dwellers.<sup>11</sup> Even those who have moved out of poverty are still susceptible to falling back into the cycle; in 2012, as much as 40 percent of the country's population was considered vulnerable, living on US\$4–10 a day.<sup>12</sup>

As the country pursues continued improvements in social and economic welfare for all classes, government programs are seeking to further reduce these gaps through expanded and higher-quality education, health, and social services programs.

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

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

## **Long-standing Traditions of Charitable Giving**

The act of giving is deeply rooted in traditions and practices dating back to pre-Hispanic societies that were designed to ensure collective well-being. Known as "*Andean reciprocity*," these cultures practiced a system of mutual aid, one of production and distribution through social ties that was highly inclusive, providing for under-resourced populations in particular.<sup>13</sup> More contemporary philanthropy emerged in the 19<sup>th</sup> and 20<sup>th</sup> centuries, when elite members of Peruvian society, inspired by the Christian doctrines of charity and morality developed under Spanish colonization, began establishing welfare organizations to carry out charitable activity. These philanthropically-funded institutions, coupled with the work of the Catholic Church, provided extensive services to the poor in the form of enhanced education, health, and welfare.<sup>14</sup>

The 1900s saw change and growth in the sector as society became more politicized, urban migration boomed, family businesses expanded, and social stability blossomed. At the same time, this period seems to have been characterized by some shift away from paternalistic charity, with an increase in philanthropy directed towards social change. However, the violence and terrorism of the 1980s and 1990s critically constricted civil society and philanthropy's attendant support. NGOs were largely viewed as instruments of the leftist terrorists and any involvement with NGOs could bring dangerous accusations of supporting these terrorists. This distrust of civil society has continued to this day and probably still inhibits the support of NGOs and the reluctance of many to talk about the specifics of their giving.

While there is no public data available, and individuals are reluctant to talk about their personal charitable giving, it is likely that a significant proportion of individual philanthropy continues to support direct services for the poor, either directly or indirectly related to the Catholic Church. An unknown, if limited, but crucially important, share of giving and social investment increasingly focuses on longer term poverty reduction, economic development, and equity.

## **Limited Philanthropic Research and Infrastructure**

Because of the lack of data, the scale, scope, and characteristics of current Peruvian philanthropy are unclear. While there is a dearth of data on philanthropic giving in most Latin American countries, this problem is particularly acute in Peru. There is virtually no current information on either individual or institutional giving. In addition, and in contrast to some other countries – such as Colombia, Mexico, and Brazil – there are no Peruvian organizations or initiatives that regularly collect and disseminate knowledge about the sector or promote and support philanthropists.

The *Universidad del Pacífico (University of the Pacific)* has done excellent research on philanthropy in Peru and in the region, but does not have an ongoing and sustainable program (or resources) to continue to build the knowledge base. Additionally, one highly regarded organization, *Peru 2021*, champions and supports CSR, but this is limited to corporate, not private, philanthropies.

Because of the lack of knowledge and infrastructure, coupled with the desire of many to give anonymously, most of the individuals in this study were often unaware of the substantial and inspiring efforts of their peers. It seems that there have been few opportunities for interactions among philanthropic individuals or organizations.



“Businessmen have understandably focused on building their own businesses, but they are aware they need to think larger about what’s good for the country, and become more involved.”

Anonymous

### Corporations Perceived as Leaders in Organized Giving

Despite the lack of data, there is a general consensus that philanthropy in the country is gradually increasing, and that most of the growth is occurring in the corporate sector. As in other countries in the region with many family-owned businesses, it is not always easy to make a clear distinction between corporate giving and family giving in firms where family members lead both corporate and philanthropic activities. However, it appears that in Peru, most foundations associated with a particular corporation self-identify as corporate foundations. Cynthia Sanborn, director of the Research Center and Professor of Political Science at *University of the Pacific* and co-editor of *Philanthropy and Social Change in Latin America*, reports that in 1998 Peru had 127 identifiable foundations and that by 2010 this number had increased to 312.<sup>15</sup> However, there were still few that were truly family- and not corporate-based.

In the aftermath of the market liberalization of the 1990s, Peru’s private sector began to grow substantially. This economic growth engendered both higher employment rates and higher incomes, as well as the increased importance of the role of business in society. In part due to this expansion, CSR – including the expectation that businesses should engage in philanthropy – has also grown. Research by Sanborn found that 14 of the top 31 firms had their own foundations or associations for charitable activity, and 12 had corporate volunteer programs.<sup>16</sup> However, specific data on the amount or impact of giving in Peru is still not publicly available.

To date, extraction companies, one of the richest industries in the country, seem to have been responsible for the majority of corporate giving. Because of its intrinsic nature, i.e., removing nonrenewable resources from a community, many believe that these companies have a unique responsibility to make social investments in the communities in which they work. Current data on investments is not available. The most recent data, published almost 20 years ago in 1997, indicated that the top 30 mining and oil companies made philanthropic contributions of US\$21 million, constituting nearly 60 percent of total annual corporate donations.<sup>17</sup> New studies with updated data are critically needed to better understand giving in Peru.

Interviews and survey respondents suggest that the policy and tax environment is more favorable for corporations than for either individuals or independent foundations. For example, the unique *Ley de Obras por Impuestos* (Work for Taxes Law) allows corporations to invest in public works and recover the total amount of investment from its income tax. This includes the construction or improvement of hospitals and other health facilities, educational institutions, recreational and sporting infrastructure, and cultural establishments.

One philanthropist interviewed for this study speculated as to why wealthy business owners might choose to undertake their philanthropy through corporate rather than independent structures. *“There is limited inherited wealth in Peru. Most of the wealthy people here have developed their own businesses, so the ability to give is closely tied to corporate profits. Philanthropy is seen as closely related to business success.”* He continued, *“There is also a strong business case for this. Businesses need to demonstrate their social conscience. The younger generation in particular wants to buy products from good corporate citizens. They also want to work for companies that have a strong social ethic.”*

In addition, Felipe Ortiz de Zavallos – an engineer, entrepreneur, founder of *Grupo APOYO* (APOYO Group), and Peru’s former ambassador to the United States – suggested several important and broader reasons for relatively low levels of visible or organized private philanthropy. *“There has always been traditional charity through the church for direct services, but no strong history of citizenship. In addition, since the 1980s the country has been in turmoil. We’ve had terrorism, economic bankruptcy, and political failure. Peruvians have necessarily lived with a survival mentality. This was not a climate in which to think about social investment.”*

“Over the last decade corporate giving and social investment have increased significantly but there is still little visible giving by wealthy individuals and families.”

Cynthia Sanborn

### Political and Policy Environment Needs Improvement

In general, the policy environment in Peru does not promote philanthropic giving and, as such, many considered it to be a serious obstacle to its growth. There are limited tax incentives for individual giving, disincentives to establishing philanthropic foundations, and some distrust of philanthropic institutions themselves.

Recent legislation has intentionally limited tax benefits of charitable giving. Donations entitled to tax deductions are restricted to nonprofits registered with Peru’s tax administration, SUNAT, and limited to those operating in narrowly defined areas of social purpose, as defined by the legal code.<sup>18</sup> It is also burdensome and bureaucratic to request deductions, requiring both nonprofit organizations and donors to provide proof and submit forms for reimbursements through SUNAT. Additionally, there is no inheritance tax that provides an incentive to make charitable bequests. Moreover, given that roughly 50 percent of Peru’s economy may be in the informal sector,<sup>19</sup> there is pressure on a small part of the economy to provide tax revenues; thus, there is also little optimism that this will change soon. There is disagreement on the actual effect of these policies on giving. Several individuals emphasized that the policy environment was a barrier to giving in Peru. Tony Custer noted, *“People who might give are put off by the lack of tax incentives and deep-rooted social pressures. The first step must be to develop better incentives; that would set the ball rolling.”* At least one expert strongly disagreed, arguing that the decision to give is not driven by tax incentives, although limited incentives may influence the amount one gives.

In addition to the tax issues, it is administratively burdensome for Peruvians to create and operate a foundation, and there are few monetary or other advantages to doing so. Foundations require endowed funds, and the activities in which they can engage are limited to religious, cultural, or idiosyncratically defined *“social interest”* purposes. Furthermore, founders do not have full control over the distribution of funds and remain under the close supervision from the *Consejo de Supervigilancia de Fundaciones* (Foundation Oversight Council), a government agency charged with monitoring the purpose, activities, and assets of foundations.<sup>20</sup>

Several individuals acknowledged that past corruption related to philanthropic giving has brought about a reduction in incentives, an increase in scrutiny, and a challenge to creating a more favorable policy environment. Philanthropic giving is also widely viewed as an opportunity for personal gain or as a mechanism for moving wealth outside the country. Whether or not a small minority has undertaken such activities, this perception has indeed tainted philanthropy’s reputation, and there is still work to be done to change attitudes for the better.

### Cautious Optimism Regarding Sector Growth

Notwithstanding the low levels of visible social investment in Peru, there is a sense of cautious optimism regarding its growth. With stable political leadership, economic growth, and the concomitant growth of individual wealth, many people believe that there is an escalating sense of confidence in Peru, and that wealthy individuals will increasingly want to contribute to the country’s future through philanthropic engagement. Cynthia Sanborn pointed out, *“Most private wealth in Peru is new, accumulated in the last 25 years. We need to give philanthropy and social investment time to develop.”*

Tony Custer, a leading businessman, philanthropist, chef, and author, who established the *Fundación Custer* (Custer Foundation) in 1996, said his sense is that philanthropy has been growing since the 1980s and is likely to continue to do so. Bernardo Roca-Rey Miro-Quesada, whose family owns the country’s oldest and most circulated newspaper, *El Comercio*, said, *“I think, I hope, that there will be positive change in the next two to three years.”* Among survey respondents, all said that the need for philanthropy in Peru was either very urgent or urgent, and the majority was optimistic about its growth over the next five years.

# Philanthropic Motivations and Influences

Like their peers in other Latin American countries, individuals in Peru have a range of reasons for giving, but the principal influences seem to hold fast across most countries: family values and role modeling; a closely related sense of moral obligation; a personal passion for an issue; and a desire to create social good that will help both the country and its most vulnerable citizens.

## Family Values Underpin Giving

Many of the participants viewed philanthropy as a means to reflect and instill family values. Almost without exception individuals emphasized their family's strong belief in helping those in need and the fact that this value was both taught and demonstrated to them from an early age. Many also talked about philanthropy as an important way to reinforce family bonds and values, and their intentional efforts to pass on the same values to their children.

Tony Custer talked about the strong influence of both his parents. His mother was deeply involved in helping girls and young women and his father was involved in the YMCA. *"They were always doing something to help individuals or groups of people."* Felipe Custer, Tony Custer's son and a member of the board of the *Custer Foundation*, shared this view of family influence: *"I was raised this way. When I was young, I watched my father, and now we work together as a family to benefit others."*

Marco Aveggio, director of *Fundación Wiese (Wiese Foundation)*, emphasized that the Foundation played an important role in building and renewing family cohesion. Virtually 100 percent of the extended family, spanning five individual families, is involved in the Foundation, and they make a point of meeting once a month. Aveggio had recently been asked to give a presentation in Chile on families and foundations, and emphasized, *"The Foundation is a keystone of our extended family. It brings together different families and different generations to work together around a common goal and vision. It creates bonds and builds relationships."*

## A Sense of Responsibility and Moral Obligation

Many of those interviewed believe that they have a moral obligation to help those in need. *"Those that have more must help those who have less,"* emphasized one interviewee. Joaquín de la Piedra, co-founder of the nonprofit *Kusimayo* (a Quechua phrase meaning *Happy River*), discussed the eye-opening extended periods that he spent at a trout farm in the Andes as a child. *"In the city, maybe it is easier for us to isolate ourselves from the poor. But in the country you can't ignore the poverty; it's all around you. Witnessing opportunities to help in rural Puno I knew I had an obligation to do something."* Another individual emphasized, *"If you do not help the needy, I say shame on you."*

Tony Custer also noted that he was influenced by time lived in the United States where, *"even in high school, students were involved in all sorts of efforts to help others; it was just part of the culture. When I later attended Harvard, this concept of citizenship and responsibility was further ingrained in me."*

## Contributing to "21<sup>st</sup> Century Peru"

Many expressed a strong desire to personally contribute to the development of the country and the creation of a new, 21<sup>st</sup> century Peru. As the country has emerged from political instability, economic upheaval, and violent crime, many emphasized their commitment to help create, through their philanthropic efforts, a *"first world," "stable," "peaceful,"* and *"just"* country. In contrast to other countries where there seemed to be a very strong community or regional focus, many individuals in Peru emphasized their overarching national goals even if their actual giving was more local. Frida Delgado Nachtigall, board director of the family-owned multimedia company *Grupo RPP (RPP Group)* and president of *Integración (Integration)*, the family-founded NGO, hoped that her family's giving, currently conducted in large part through the company, could be a *"lever for the comprehensive development of Peru and Peruvians. We can help the country and its people toward a brighter future."*

“Many in Peru have now achieved economic success, now they seek social significance.”

Diego de la Torre

“The Foundation is a keystone of our extended family. It brings together different families and different generations to work together around a common goal and vision. It creates bonds and builds relationships.”

Marco Aveggio

The sense of wanting to make an individual and tangible contribution to the country was striking. As an example, Diego de la Torre, co-founder of *La Viga*, the largest cement and steel distribution company in Peru, observed that at the heart of much of Peruvian philanthropy may be an individual's personal desire to make a difference, to contribute to the common good, and to leave a legacy not of individual wealth but of human and social well-being. “*Many in Peru have now achieved economic success,*” de la Torre emphasized, “*now they seek social significance.*”

#### **Corporate Competitiveness a Goal of Some Philanthropic Efforts**

As described earlier, many families engage in philanthropy through privately-held corporations and giving priorities and activities can be directly linked to business concerns, goals, and responsibilities. As one individual explained, “*There is intense competitive pressure, since globalization is knocking at our door. There are internal and external demands for better corporate responsibility. Customers care about a company's social fiber and companies are aware they need to do more.*” Felipe Custer, who spearheads corporate sustainability at *Corporación Custer (Custer Corporation)* emphasized that sustainability is increasingly important in Peru, not only for developing a competitive advantage, but as part of a greater commitment to ethical business practices. There remain notable opportunities for improvement in this regard, with clear signs that the private sector is keen to continue innovating in the direction of sustainability. As noted above, *Peru 2021* is instrumental in promoting CSR nationally.



# Philanthropic Priorities and Purposes

Individuals in Peru identified a wide variety of philanthropic priorities. Among the key issues were education, the preservation and advancement of Peru's cultural heritage, and the creation of better opportunities for disadvantaged and marginalized Peruvians who have not benefited from Peru's economic growth.

## **Education Key to Individual and National Success**

Similar to the views expressed in other Latin American countries, education is a top priority for philanthropists and social investors in Peru. Some individuals have focused directly and exclusively on education, while others have included education as part of a broader approach to community or national development. It is noteworthy that nearly all survey respondents pointed to education as a top priority; it was the sector to which they had given their largest gift in 2013 and stood as their top priority for philanthropy and social investment in the future.

There are a number of reasons why education is such a high priority both for philanthropists and the nation itself. First, Peru has one of the lowest indices in the region for educational efficiency. According to studies carried out by the Ministry of Education, when schoolchildren reach sixth grade in primary school, only 12.1 percent have age- or grade-appropriate reading and writing skills, and only 7.9 percent perform adequately in mathematics. Moreover, approximately 30 percent of children entering school in first grade are unprepared for formal learning.<sup>21</sup>

Because education provides individuals with a potential ladder from poverty to economic security and greater well-being, it is seen as critical at the individual and family level. As one individual who runs a significant program that provides poor but capable students with university scholarships emphasized, *"Education can turn a family around. If one child receives a strong education that lets him/her find good employment, it can lift the whole family out of poverty."*

Education is also seen as the key to national economic progress and development, as well as the country's ladder to the 21<sup>st</sup> century. *"The key to Peru's development is education. The country's economic bottleneck is talent."*

Interviewees offered additional reasons for their emphasis on education. For some (though not all), education is one of the more politically acceptable areas for philanthropy, in contrast to areas such as human rights or democracy-building, which may draw unwanted government attention. Other interviewees acknowledged that educational giving can also tie directly or indirectly to business objectives, i.e., providing scholarships for technical training required by industry or assisting schools in a community in which a company works.

## *Supporting Students with Learning Disabilities*

One of the goals of the *Custer Foundation* is to improve the quality of education for children with learning disabilities who come from poor communities: a mission largely shaped by the founder's own experience. Tony Custer described, *"One of my brothers struggled through school with severe dyslexia and dyscalculia. I was struck by how, even having everything else he needed, the lack of appropriate therapeutic knowledge kept him from being properly helped. Years later I was even more stunned to see how difficult it was for children in Lima's shantytowns to get the kind of care that was available nearby but that they could never reach."* This personal experience profoundly shaped the work of the *Custer Foundation*.

The family foundation has operated the *Aprendamos Juntos* (Learn Together) program since 1998. This program works with children, parents, and teachers to promote success and feelings of well-being for these often overlooked children. Begun in 1998 with one school, the program has been replicated in 12 schools, reaching 1,600 children, 50 teachers, and 800 parents each year. Cumulatively, the Foundation and its program have worked with 8,500 children to improve their school performance and self-esteem, trained more than 4,000 parents of school children through hands-on workshops, and trained more than 100 teachers to instruct children with learning difficulties in a more effective fashion.

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Anonymous

“The key to Peru’s development is education. The country’s economic bottleneck is talent.”

Anonymous

#### *Investing in Individuals, One Student at a Time*

Like philanthropists in many countries, Peruvians often provide support to individual students in order to provide educational opportunities. Individuals in Peru, Colombia and Chile all discussed investments in hundreds of students through *Lumni, Inc.*, a social investment fund that provides flexible education loans for low- and very low-income students who are most often the first family members to attend college. Instead of offering a scholarship or loan, Lumni provides an investment in education and, in exchange, each student commits to pay a fixed percentage of income for 120 months after graduation. The objective of the program is to ensure that the student is not overburdened by debt, and the student’s obligation is complete at the end of 10 years regardless of the total sum paid by that date. As one individual noted, “*business-oriented individuals are attracted to this unique approach. I know several people supporting Lumni.*”

#### *Education for the 21<sup>st</sup> Century*

Another innovative, but quite different program in the higher education sphere is *La Universidad de Ingeniería y Tecnología* (University of Engineering and Technology or UTEC). It is a very large educational institution that has recently emerged from the commitment and support of numerous private individuals and institutions. UTEC is a new private university in Lima dedicated to providing world-class engineering education to Peruvians and to building the workforce needed for Peru’s economic growth. The idea originated with the *Hochschild Group*, which was joined by other private companies, including Credicorp, CAT, *Cementos Pacasmayo*, and *Compañía de Minas Buenaventura* and private individuals.

#### **Preserving the National Heritage and Culture of Peru**

Peru is a country with a long and diverse cultural history, and Peruvians are understandably proud of their nation’s cultural wealth, both past and present. The culture is also recognized as an important part of the economic health of the country, since tourism is one of the nation’s largest industries. Philanthropic capital is helping to preserve and promote Peru’s rich and important cultural heritage in a multitude of innovative ways.

Peru’s diverse historic cultures – including pre-Incan populations dating to around 2200 BC and the Incan Empire of the early 13<sup>th</sup> century – left a rich physical legacy of settlements, agricultural terracing, underground aqueducts, sculpture, gold and metalwork, textile weaving, and pottery. During some 300 years of colonization, Peru absorbed the cultural influences of Spanish and European settlers. Over the course of ensuing centuries, African and Asian cultures have also contributed greatly to enriching the Peruvian landscape. The culture of today reflects and celebrates all of these influences while continuing to welcome and create vibrant new cultural traditions.

Felipe Ortiz de Zevallos explained the importance of philanthropic investments in the country’s culture, “*The national pride in our culture is a strong force. We need to save this heritage. Without a conscious effort to protect it, it will disappear.*” Other conversations offered additional reasons for philanthropic involvement in culture. One interviewee suggested that, since it is an ideologically neutral and therefore “safe” area for giving, there is little potential for backlash from the government or public. Another added that cultural philanthropy does not risk potential arguments about whether or not it should be a state role. “*When you talk about areas like education and health, people argue that they pay taxes and that the government should provide these things. But culture and art are more readily viewed as appropriately funded by private contributions.*” One anonymous philanthropist acknowledged his significant contributions to a leading art museum. Another noted that he annually raises substantial contributions to purchase Peruvian art for local museums.

#### *Peru’s Important Archaeological Heritage*

Although the *Wiese Foundation* historically focused on health care and education in Peru, which it viewed as fundamental pillars for the nation’s development, it began to support its archaeological heritage in 1990. This major new initiative focused on recovering and preserving this archaeological legacy so that it could be shared with the country and the world.

The Foundation’s cultural work began in El Brujo, an ancient settlement and ceremonial center of the Moche culture built between AD 1 – 600. Excavation has uncovered extensive polychrome reliefs, painted murals, and the remains of the *Señora de Cao*, one of the most important archaeological

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Felipe Ortiz de Zevallos

discoveries in recent years. The site opened to the public in 2006. Over the past several years and in partnership with other private and public institutions, the *Wiese Foundation* has also undertaken an ambitious 10-year program to develop the Moche Route, a roadway circuit that will showcase the cultural attractions of northern Peru.

It is also highly noteworthy that the Foundation's focus has expanded beyond preservation and research to ensure that local communities benefit from this important site and the area's dramatically enhanced tourism. This program focuses particularly on strengthening local small and micro-companies, called *mypes*, which will provide a variety of services and products to visitors. Initial work took place in Magdalena de Cao, directly adjacent to the archaeological site, which has now become a model for working in several neighboring communities. The ultimate objective is to create a self-sufficient tourist destination that will benefit the local population in a long-term and sustainable fashion.

#### *Peru's Unique Culinary Culture*

In addition to the monuments and ancient artifacts proudly displayed at Machu Picchu, El Brujo, and numerous other archaeological sites and in museums, Peruvian food has become another cultural icon. As one of the strongest symbols of its rich traditions, Peruvian food has become an integral part of its cultural identity, and a key focus for some philanthropists. As a uniquely Peruvian hallmark, it once again allows Peru to promote a distinctly national characteristic, distinguishing itself from other Latin American nations.

In 2007 chef Gastón Acurio and a group of Peruvians created the *Sociedad Peruana de Gastronomía (Peruvian Gastronomic Society or APEGA)* with US\$1 million in philanthropic capital. They have since gained increasing support from private philanthropy and international actors, including US\$2 million from the IADB in 2012. As one of its founding leaders and now president, Bernardo Roca-Rey Miro-Quesada indicated, “*APEGA promotes our cuisine, strengthens our cultural identity, and contributes to the prosperity of Peru and Peruvians.*” *APEGA* is best known for its annual event, *Mistura*, a two-week long food festival that attracts over 600,000 people. The event is designed to strengthen the links between the public and a multitude of actors in the “*gastronomic chain*,” which is estimated to involve directly or indirectly, over five million people.

Similar to the *Wiese Foundation* work around Peru's archaeological heritage, *APEGA's* work seeks to ensure that Peru's food culture benefits the poor and develops the economies of small local communities, and the work of both organizations have been recognized and supported by numerous philanthropists. The surging interest in gastronomy may signify enormous potential for economic development and employment in Peru. According to a 2010 report by Oxfam, one of every four jobs in Peru is related to small-scale agriculture. Moreover, the interest in creating new food-related jobs and boosting tourism is growing. In 2008, more than 95,000 tourists visited Peru for gastronomic purposes.<sup>22</sup>

In a related activity, *APEGA* has developed a program to promote and market products supplied by small-scale farmers. It also plans to launch an Adopt-a-Terrace program through which national and international organizations and prestigious restaurants can adopt a mountain terrace where foods unique to Peru are grown. The program plans to encourage and support small farmers and conserve these unique 4,000 year old terraces, which had largely been abandoned with the advent of monoculture and commercial farming.

In addition, the *Custer Foundation* celebrates the unique Peruvian cuisine in a different way. Tony Custer, founder and president of the Foundation, is also a nationally known chef. He has authored a renowned two volume cookbook, with all proceeds going to the Foundation.

#### **Influencing Public Policy and Public Opinion**

Again closely related to the goal around national development, some philanthropically-engaged individuals in Peru discussed their interest in influencing public opinion and public policy, with a view toward fostering and shaping the economic strength of the country and the well-being of its citizens.

“We are vigilant defenders of the rights of children and young people to receive a quality education and value the importance of education in general and basic education in particular, as avenues for personal development and social mobility.”

RPP Group

As an example the *Instituto APOYO (APOYO Institute)* was established in 1989 by the chairman and directors of *APOYO Group*, a leading private firm engaged in economic consultancy, market and opinion research, and publication of numerous economic periodicals and reports. The *APOYO Institute* is a philanthropic, nonprofit think tank seeking to influence public policy with respect to sustainable economic development, the strengthening of democracy, and the advancement of cultural values. More specifically, they hope to become involved in judicial, congressional, and policing reform, as well as social policies in education, health, and poverty areas.

The family leaders of the *RPP Group* also seek to influence public policy for the public benefit. After a history of engaging in “reactive” philanthropy – receiving thousands of requests for both financial contributions and airtime – the family has recently decided to become more proactive. It has established *El Compromiso*, a philanthropic and nonprofit endeavor described “as a contract with their audience to influence public opinion, public policy, and individual behavior on issues of importance to their audience and the nation.” *El Compromiso* has five pillars: education and culture, health, justice, environment, and security. For each of these priorities, they launch signature media campaigns and special programming, and undertake rigorous research. In a ten-year span, they have developed six informational campaigns aimed at educating parents on childhood development issues, evolving from hand washing practices and basic child nutrition to early childhood education. Other campaigns have sought to promote the importance of clean water and actions against climate change.

In 2013, the family created a separate initiative to advance these goals. Currently housed within the corporation, it is in the process of officially becoming an independent organization. The family wants to create independence from the company so that the work of the NGO benefits the public and also other public media outlets and journalists, not just the *RPP Group*. While it will be governed by the family for the first two years, the plan is to develop alliances with other funding sources in order to diversify and expand the resource pool.

### Community-based Approaches to Giving

Although many philanthropists are focusing on specific issues, such as education or cultural heritage, which are viewed as essential to national development and very often include specific community development goals, others take a more integrated, community-based approach. As noted previously, cultural efforts often extend to community development.

As an example, Joaquín de la Piedra describes his efforts to assist communities in the Puno region. Puno is an important agricultural and livestock region, and although it benefits somewhat from tourism around Lake Titicaca, many people in the region’s rural area lack basic needs and services. Close to half the population lives in homes without potable drinking water or electricity, almost one-third are malnourished, and one-quarter are illiterate.<sup>23</sup> De la Piedra began by building one school but quickly recognized the plethora of underlying causes of the region’s poverty and the need for a more holistic approach.

Thus, in 2007, he established the nonprofit organization *Kusimayo*, which is dedicated to improving the living conditions of those affected by poverty and malnutrition. *Kusimayo* now works in 17 communities in Puno and runs several interrelated initiatives to reduce poverty and improve living conditions, including a breakfast program in 15 preschools to improve childhood nutrition; a program to vastly improve living conditions at a hospice for the elderly; a program to introduce new agricultural technologies to small scale farmers; and an ambitious new initiative, *K’oñichuyawsi* (Quechua for *Warm Clean House*), that focuses on significantly improving living conditions by modifying existing houses with three technologies, including construction of an improved kitchen, an insulation of walls and roofs. Together, these technologies can increase the internal temperature by 10 degrees Celsius and remove dangerous cooking smoke from the home. The goal is to renovate 50 homes per year. The cost of each renovation is approximately PEN\$1,500 (US\$500) and the families provide the labor themselves.

# Philanthropic Platforms and Strategies

Most philanthropically-engaged individuals in Peru seem to choose to give directly to an organization or initiative rather than establishing an institution to organize and implement their philanthropic goals. As underscored earlier, there are a very limited number of independent foundations in Peru that operate principally with private funding from an individual or family. With respect to the social-benefit organizations that have been established by individuals or families, most are nonprofit organizations that actively operate their own programs and seek a variety of funding to support their goals and activities.

## **Philanthropic Institutions Increase Focus and Impact**

Individuals and families that have established foundations or nonprofit institutions describe them as a means to create more focus and achieve more impact. Tony Custer explained that, while bureaucratically difficult, he established an independent foundation for several reasons: it focused his philanthropic goals, it helped attract other resources to the foundation's mission, and was an important way to demonstrate the potential impact of private philanthropy and encourage other Peruvians to become more engaged.

As mentioned above, Frida Delgado Nachtigall and her family are in the process of establishing a legally registered NGO in order to become more proactive, focused, and independent from the corporation. The new NGO, *Integración*, is to be governed by the family, which plans to fund the NGO for the first two years and subsequently develop alliances that would augment their own support. Felipe Ortiz de Zevallos similarly described how the *APOYO Group* established a separate nonprofit organization, the *APOYO Institute*, to structure and amplify their philanthropic and public benefit goals. And although the Institute acts independently, it receives administrative and professional support from the *APOYO Group* firms.

## **Anonymity in Giving Often Sought**

It is likely that one of the factors contributing to the relatively limited number of foundations is a strong desire among many for anonymity around giving. Martín Beaumont, former program director of *Fundación Avina (Avina Foundation)*, noted that most philanthropy in Peru is not public. He suggests that individuals may not see any public benefit or personal incentives to giving publicly and instead choose to keep a low profile. Many individuals acknowledged that if more philanthropic activity were practiced openly, it would help to encourage others to give. At the same time, many of the interviewees and survey respondents said they do almost all of their giving anonymously. The Peruvian ethos was consistently described as “quiet,” “low profile,” and “unassuming.” There were several reasons given for these anonymous approaches: for some it stemmed from religious convictions or family values; for others, it was not seeking recognition for charitable giving; for still others it was not wanting to draw attention to one's wealth; and finally, some were genuinely concerned about risks to them and their families.

One individual talked about anonymity in relation to different goals of giving: “Charity could and probably should be anonymous. But if you want to create real and sustainable change, it is better to use your name.” Understandably, many also asked that their comments for this study not be directly attributed to them.



### **Fundraising is the Norm**

Virtually every philanthropic institution identified in this research, even those with substantial funds from an individual or family, seeks to raise funds from others. This practice applies throughout Latin America and probably stems from a variety of factors, including the limited tradition of grantmaking and a legal system that does not clearly distinguish between resource-granting and resource-receiving institutions. In addition, philanthropists in the region often take an “outcome-oriented” approach to their giving, whereby they identify a problem they want to address – e.g., educational inequalities, rural poverty, or the loss of cultural heritage – determine the goals they hope to achieve, and employ a variety of different strategies and methods to advance these goals, including trying to bring more resources to bear on the problem.

Foundations seek out funds in a variety of ways, including building alliances and asking friends and peers for support. Some have also established online giving portals and others host fundraising events. For example, *Kusimayo* raises support through an annual art event to which Peruvian artists have donated works.

### **Foundation Favor Operating Own Programs**

Most philanthropic institutions operate their own programs. This research did not identify any foundations in Peru whose principal strategy was providing grants to support the work of NGOs, although some foundations may sometimes and sporadically make grants. There also appears to be limited use of some other philanthropic investment strategies such as social impact investing, equity investments, or loans. However, both those interviewed and the survey respondents emphasized their clear interest in learning more about various approaches used elsewhere in Latin America or other countries. Among survey respondents, the majority indicated that they were either interested or very interested in concepts of venture philanthropy, impact investing, and collective impact philanthropy.

### **Partnerships Perceived as Limited but Important**

In Peru, there are some positive examples of strong partnerships that advance philanthropic and social missions, some of which include government or the corporate sector. At the same time, those interviewed expressed widely differing opinions on the benefit of partnerships.

For the *Wiese Foundation*, partnerships are a key strategy. They have worked with the government for over 30 years, and in recent years these partnerships have become stronger and are now viewed as critical to realizing ambitious objectives. As Marco Aveggio explained, “*Partnerships are critical to achieving any large-scale impact. The government needs help from the private sector. We need to build more bridges between the sectors.*” Similarly for Frida Delgado Nachtigall partnerships were a way to capitalize on the synergy of different sectors and organizations. In *RPP Group’s* philanthropic activities, they have created strong alliances with various government ministries and other public and private partners. For example, the *RPP Group* worked with the Ministry of Development and Social Inclusion on a 24-week campaign to inform parents about the importance of early childhood development. It also undertook separate endeavors with the Ministry of Women as well as Alicorp, Peru’s largest consumer goods company, on multiple campaigns to promote the importance of child nutrition. They have also worked with the UNDP and with various other international groups, including the Swiss, German, Spanish, and U.S. aid agencies, the IADB, and the World Bank.

In contrast, other interviewees stated that they had an explicit policy of not working with government. They suggested that political motives could deflect the philanthropic goals and activities and that there was some concern about political corruption. More broadly, some individuals said that historically individuals and institutions have wanted to keep a distance from government and felt that continued lack of trust in the government limited any potential partnerships. Some individuals were considerably more optimistic and thought that this situation was changing and that there would be increased scope for such partnerships.

# Looking Ahead: Challenges and Opportunities

The prospects for increased Peruvian philanthropy are, as in most of the countries studied, simultaneously challenging and cautiously promising. While there are clear obstacles to developing the philanthropic sector – including a lack of historic precedence for large scale philanthropy aimed at social change, bureaucratic challenges that impede giving, and residual apprehension in a post-civil war climate – there is also a feeling of optimism that with political stability, economic growth, and national pride, private philanthropy is growing and will continue to do so. As one interviewee noted, *“Wealth in Peru is new; people are still building individual financial security. With steady economic growth, for the first time, people can begin to project wealth and can perhaps begin to make longer term philanthropic commitments.”*

## **Societal Trust Mirrored in Philanthropy**

While rarely studied, there may be a correlation between the general level of trust in a country and the scope and scale of its philanthropic giving. Resulting from the country's history, Peru's wealthy citizens, as well as the larger population, do not generally trust government leaders or anyone in positions of power. Survey respondents believed this issue to be the primary barrier to increased philanthropy in Peru.

The level of societal trust has been described by renowned economist William Easterly as the extent to which an individual trusts strangers – those beyond one's extended family, clan, or village.<sup>24</sup> By extension, in a low-trust society characterized by trust for only friends and family, giving to institutions and initiatives led by strangers will presumably be limited. Importantly, this would not affect generosity towards individuals or even organizations within one's known community, but would impact broader institutional giving and grantmaking. Cynthia Sanborn explained, *“For various historic reasons there is a severe lack of trust in Peru. People don't trust institutions – public institutions or private institutions. So people give to help the people around them, but are highly reluctant to give to organizations.”*

Moreover, there are some who recall the violence of the not-too-distant-past and who indicated they were therefore very reluctant to expose themselves or their families to potential risks through association with nonprofit organizations or visible philanthropic giving.

Thus while giving to individuals and some well-known organizations may be widespread, the lack of trust is likely limiting broader-based giving.

## **Building Solidarity across Social Groups**

Despite having a strong national identity, interviewees emphasized the lack of solidarity in Peru. Some pointed to the country's hierarchical history, where both the Incas and the Spaniards were highly tiered societies. According to Joaquín de la Piedra: *“600 years of indifference and exploitation of Aymaras has built significant lack of trust among groups.”* Tony Custer agreed with this perspective and stressed that in Peru there is virtually no solidarity outside of the family. Another individual added, *“The top social class is made up of a small number of families, who are very closely knit and isolated. Such people don't see the satisfaction in helping others.”* The result of these factors is that most people are unaware of or ignore the problems of others. As one person noted, *“In Lima you develop a thick skin against poverty.”*

Although acknowledging this social challenge, many interviewees expressed optimism that the situation is changing, albeit slowly. In the last 30 years, Peruvian society has made clear strides in its efforts to include and recognize indigenous populations such as the Quechua and Aymara, as well as the mestizo peoples, groups which have faced social and economic marginalization for centuries. In addition, and as previously discussed, there have been tangible steps to showcase Peru's rich archaeological heritage, its culinary excellence and uniqueness, and most important, new efforts to make sure local populations benefit from expanded tourism and other development programs. As mentioned earlier, *APEGA's Adopt-a-Terrace program* links conservation efforts with social inclusion to support small farmers and rural populations and the *Wiese Foundation* supports the development of self-sufficient tourist destinations that benefit the local population by strengthening their local small and micro-companies. Continuing efforts such as these, which better integrate Peru's diverse populations and create social cohesion, may contribute to greater levels of trust, solidarity, and generosity.

Cynthia Sanborn said she was encouraged by increasing youth interest in social responsibility and engagement. She noted that among students at *University of the Pacific* there was a boom of organized volunteering and more students were considering work with nonprofit organizations, or even creating their own. A number of those interviewed also suggested that Peru would greatly benefit from directly exposing and better educating its youth about the nation's socioeconomic realities.

### **Perceptions of NGO Sector Limit Grantmaking**

NGOs have generally been viewed as weak, unprofessional, and at times corrupt (some donors have lost money with unscrupulous ones): a perception that limits grantmaking in the country. However, interviews indicated that there are still exemplary groups, which are professional, honest, and making a difference. Some still believed that the Catholic Church was the best example, while others believed secular organizations to be best. A few also added that showcasing NGOs that have done excellent work would be a useful means for changing attitudes about the sector, and ultimately increasing philanthropic flows. One individual suggested the development of a rating indicator for NGOs, which would evaluate performance according to various measures.

### **Infrastructure to Support and Promote Philanthropy**

Among the six countries, Peru has one of the least developed infrastructures for supporting philanthropic growth. There are few organizations that focus on: attempting to develop better knowledge about the field; making philanthropy more visible; advocating for more constructive legal and tax policies; developing peer groups for sharing experiences; and/or supporting individual philanthropists. In sum, there are not enough initiatives to effectively promote the role of philanthropy.

Although the challenges are profound, the perception is that there are many, especially some younger Peruvians, who are eager to employ philanthropy and social investment to make a difference in Peruvian society. Several people also suggested the importance of role models, more people who are engaged in laudable and innovative giving and who do so publicly. Philanthropic expert Cynthia Sanborn emphasized the importance of increasing public awareness of social investment initiatives and believed it would be important to highlight innovative and effective examples of philanthropy, particularly those by individuals or families. She noted that while there was significant recognition for companies and CSR initiatives, individuals have rarely been acknowledged for their contributions.

Establishing an organization that could encourage such ideas, bring people together, and create more visibility could be enormously helpful for sharing knowledge, demonstrating impact, and planning strategies. As in most countries, its success would depend in large part on its leadership. Such an organization would also be useful in connecting philanthropists with peers in other countries, especially in Chile and Colombia. Martín Beaumont suggested that increasing exchanges and networking throughout the region could be very valuable.

#### **Perceptions of the Role of Philanthropy Slowly Changing**

Most people in Peru believe that the government should be the main provider of basic services, and most also believe that issues such as poverty reduction, education, and health are the state's responsibility. In addition, they believe that, through its promulgation of policies, government should mitigate serious inequalities. Thus, many people believe that since they already pay taxes, they should not be trying to perform these public roles as individuals, too. As such, they continue to see the role of philanthropy as gap-filling rather than driving systemic change.

In addition and as noted earlier, real or perceived abuses of philanthropy in the past have made many skeptical or wary about private giving. Among survey respondents, the public's negative attitude toward philanthropy was clearly the most significant challenge to the growth of philanthropy in Peru.

Felipe Custer and others think that times are changing, however. Not only are more and more people talking about philanthropy, but there are even a few, if isolated, examples of collaborative projects among the private sector, government, and NGOs. Moreover, several of the initiatives described in this chapter present inspiring examples of individuals and families who are attempting to achieve broad-based and equitable impact and systemic change, thereby acting as change-makers rather than gap-fillers. Optimistically, as more people see both the social benefit and the personal satisfaction of philanthropic giving, many believe that others will join the effort and become involved. Perhaps this shift can be accelerated by conscious effort and leadership. Echoing the sentiment of many, one individual emphasized, *"We need to make philanthropy cool and sexy."*

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