

Latin America Social Enterprise & Philanthropy

Young generation keen to make a change

Diaspora giving There is a growing interest in what is happening back home, propelled by social media. *Lauren Foster reports*

Back in 2006, Give to Colombia (G2C), a US-based non-profit group that creates, promotes and facilitates alliances between international donors and grassroots organisations in Colombia, hosted a forum in Miami targeted at the US diaspora. Sitting in the audience was a wealthy businessman with a mission to improve the conditions at one of his textile factories that was subcontracted to Levi Strauss.

The result was a partnership between G2C and the Levi Strauss Foundation and the launch of a programme to increase financial literacy among apparel workers. The joint venture provides financial training, matched with savings accounts and microenterprise programmes for workers in the clothes industry in Medellín, Colombia's second city. This is just one example of the role that diaspora giving – tax deductible donations and remittances – can play in improving the lives of people living in Latin America. With an increasingly large percentage of the US population either Hispanic or Latino, diaspora giving makes up

much of the region's philanthropic funding. "Traditionally, philanthropy focused on giving to the church, or supporting families that you knew and supported directly," says Marcela Lopez-Macedonio, executive director of The Resource Foundation, a US non-profit group.

"But as the younger generation – folk who have lived and worked in the US and/or are familiar with non-profits and how philanthropy works – comes of age, they want to support causes in Latin America because they feel they can make a difference."

This generation has also been exposed to social media, another factor that may be behind an increase in giving. "There is a growing interest in participating in what is going on back home," says Bernardo Guillamon, manager of the office of outreach and partnerships at the Inter-American Development Bank (IDB). "Everybody is more connected through social networks and social media and there are more opportunities for people to know what is going on in their home countries."

There are two factors that play into donors' comfort levels. The first is the emergence of organisations that connect diaspora donors in the US with organisations at home and act as an intermediary between philanthropic funds and local non-governmental organisations. Part of the appeal is their formalised structure.

According to a 2007 report by The Philanthropic Initiative and The Global Equity Initiative, these organisations have "been established as formal, independent organisations with non-profit status under US tax laws; e.g. most are classified as 501 (c) (3) organisations under the federal tax code. As such, these intermediaries: (a) assume responsibility for the ultimate distribution of funds, and (b) can provide the donor with the means to establish the deductibility of a contribution."

The report notes that "US tax law encourages giving through US charities; individuals cannot receive a tax deduction for gifts made directly to overseas organisations."

Angela Maria Tafur, executive director and co-founder of G2C, says that having 501(c) (3) status gives an

organisation "credibility and transparency." But while the tax deduction is important too, it is not the biggest motivation.

"The motivation is that you want to give back to your country of origin and believe it has a future and that you have an important role to play in the development of that country."

The second factor is the level of accountability. "It is fundamental and donors expect it," says Ms Tafur. "Donors today want to see the impact of their giving, so our reports are very detailed."

Ms Lopez-Macedonio agrees. "Due diligence procedures are a key part of what we do. We do it on an annual basis, on all grantees, even if we are familiar with an organisation. We want to make sure that programmes are being implemented correctly, organisations are transparent and that donors feel comfortable."

Some of them get into a bus and are returned to the prison in which they are serving their terms. The construction work not only enables them to spend time outside prison walls but also helps them develop skills they can use once they are released.

Bernardo Guillamon: more opportunities to give



Lauren Foster is a content director at CFA Institute



Investing in the future: singer Shakira has set up two foundations, which support 6,000 students at four Colombian schools

This is the greatest satisfaction of my life

Interview
Shakira
Unicef ambassador

John Paul Rathbone talks to the award-winning singer about what makes her happiest

Shakira, 35, is a Colombian, Grammy-award winning singer. Unicef goodwill ambassador, and education advocate. In 1997, she founded the Barefoot Pies Descalzos foundations, which support 6,000 students at four schools in Colombia.

What makes you want to give? Do the wealthy have a duty to give?
I witnessed so many cases of poverty, internal displacement and injustice growing up that at a young age I promised myself I would do

everything I could to help. When I turned 18 and had my first successful album, I founded Pies Descalzos. I do believe that people with great resources should work towards a greater good, if they can. From the notion of my heart, I can say that this work has brought me the greatest satisfaction of my life, possibly more than any artistic career.

Why a particular interest in early childhood development?
I learnt from Gabriel García Márquez that education should be a cause "from the cradle to the grave". So, while all investment, some has a particularly high payback. Studies show that every dollar invested in a child's early education returns 17 dollars in that child's adult life. A good business proposition, don't you think? I never tire of repeating that the saddest generator of inequality in

developing countries is that a child born poor is likely to be the poor because education is seen as a privilege rather than a right.

How do you encourage people to give to your foundation?
I am often pleasantly surprised by how little we need to encourage people. When fundraising, though, we share statistics such as how well children are doing in our schools and the effect our schools have had on surrounding communities. It's very clear – our schools produce results and we can show that, when children get quality education, nutrition and stimulation, their performance excels.

And which is more important to give: time or money?
Both, equally. But I am surprised and encouraged by the way in which business leaders' commitment to personal

philanthropy – be that Warren Buffett, Bill Gates or Alejandro Santo Domínguez, [the Colombian-US financier] – is spreading. Each of us can make a difference.

What can the charitable sector learn from business, and vice-versa?
Michael Porter [Harvard

business professor] says today's best companies have a philosophy of "shared value", which aims to create both profit and value for the communities where they operate. I believe this vision can generate radical change in our societies and create a

more equal Latin America.

Is it difficult to raise funds in the current crisis? Do public-private partnerships work?
Yes to both. Times are tough. And it is essential that governments become guarantors of the right to education. But, public-private partnerships are a key we keep in our pocket and take out when we need to bring government attention to our cause. Believe me, it works.

How do you ensure funds and other resources are used effectively?
Transparency and good management. Luckily, I have the best possible people working at my foundations. Still, I would lie if I said that our 6,000 students have always had *le colour de rosa*, a rose-tinted life. Maybe not all of them will make it, but I can guarantee that all of them will become better human beings. To me, that is reward enough.

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more equal Latin America.

Human rights or drug abuse are tough to tackle with market-based models

returns as generating profit – is helped by the fact that Spanish and Portuguese are the region's predominant languages, allowing innovations to cross borders more easily. Moreover, global institutions have recognised the potential return on their development investments of funding social enterprise rather than initiating aid-driven programmes. Across the region, organisations such as the United States Agency for International Development and the Inter-American Development Bank have launched initiatives to promote the spread of social entrepreneurship and impact investments (those designed to

practical training in order to improve their job opportunities.

practical training in order to improve their job opportunities. "What began with individual donor support from the Chilean diaspora community then led to grants from institutions, including both corporate and private foundations," according to a recent case study by the foundation. "We see diaspora philanthropy not simply in terms of monetary contributions but also as comprising experience, expertise, time, efforts and outreach," says Ms Lopez-Macedonio.

The scale of diaspora giving across Latin America is hard to measure. However, the IDB does track remittances.

Natasha Bajuk, specialist at the IDB's Multilateral Investment Fund, says remittances from the US account for about three-quarters of what Latin America receives in total remittances. In 2011, the total was \$61bn.

Pursuit of purpose alongside profit

Benefit corporations
Sarah Murray reports on a shift in attitudes towards problem solving in the region

When their day's work on the building site ends, not all the workers employed at Cerco, a Chilean construction company, head home. Some of them get into a bus and are returned to the prison in which they are serving their terms. The construction work not only enables them to spend time outside prison walls but also helps them develop skills they can use once they are released.

Cerco, which builds infrastructure for mining companies and others, is a certified Empresa B (or benefit corporation).

B Corps, as they are also known, are part of movement that is building a community of companies that want to put their efforts into delivering social and environmental returns on the same footing as those that generate financial ones.

"Cerco is a traditional company but Cesar Riffó [the company's general manager] wants to have a purpose in his business," says Maria Emilia Correa, co-founder of Sistema B, the organisation that has spearheaded the certification system in Latin America.

Since February, when Sistema B launched the programme, 25 companies have become certified B Corporations and the Santiago-based organisation has teams working in Chile, Argentina, Colombia and Brazil.

Certified companies represent businesses from about 15 different industries, says Bart Houlihan, co-founder of B Lab, the US-based non-profit group that launched

the system. "It's an idea that can live within any industry and focus on a variety of areas," he says. Sistema B believes that more than 100 companies have committed themselves to becoming certified Empresa B organisations.

The appetite for certification reflects the beginnings of a shift in attitudes towards problem solving in the region.

"People in Latin America are very aware of social and environmental problems," says Gonzalo Muñoz, co-founder of Sistema B and chief executive of TriCiclos, a recycling company that was the first certified Latin American B Corporation.

To become certified, companies must do an online assessment and rewrite their incorporation documents to take account of all their stakeholders. In 2011, B Lab launched an adapted version of the assessment designed for Latin American markets.

Certification is valid for two years, after which companies must reapply. "And every two years we issue a new version of the assessment," says Mr Houlihan. "So it's a constant cycle and the assessment continues to improve."

To provide investors with robust measurement, not only of their financial returns but also of the social and environmental impact of their investments, B Lab – with support from the Rockefeller Foundation – has developed a rating system, the Global Impact Investing Rating System (GIIRS).

However, beyond certification, Sistema B has a much broader goal for Empresa B companies in Latin America. "Certification is useful but we're also focusing on the creation of an ecosystem," says Ms Correa. "The goal is not just to have a lot of certified B Corporations – our real goal is to help these companies become significant enterprises that can achieve scale and impact."

Part of this involves Latin American legislative infrastructure to support these new types of companies. In the US, benefit corporation legislation – so far introduced in 11 states – provides leaders of registered companies with the legal protection to pursue social and environmental goals as well as profit.

This legislation could soon be in place in Latin America. In Chile, for example, Gonzalo Muñoz, co-founder of Sistema B and chief executive of TriCiclos, is discussing with the government about introducing B Corporation legislation. The first draft will be brought in December, and Colombia has also shown an interest in the legislation.

"The legal framework is important because it defines you as a different corporation," says Ms Correa. "It gives you credibility and helps investors to identify you."

Mr Muñoz argues that the B Corporation movement has particular relevance for Latin American countries. "We have a lot of problems to solve," he says. "Latin America is an area where the differences are huge and we need to reduce levels of inequality – but this is an opportunity to show that there is a different way to do things."

Meanwhile, B Lab – whose broader mission is to harness the power of business to solve social and environmental problems – is watching what happens in Latin America closely.

It believes that, if successful, the model could influence the development of more inclusive and sustainable economies as the B Corp movement is extended into other emerging markets in Africa and Asia.

"What's clear is that there's a global movement of businesses using capitalism to create change," says Mr Houlihan. "So the need for this infrastructure exists globally."

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philanthropic or development funding. In Lima, the Peruvian capital, for example, Juan Carlos Aguilar Macizo – one of the fellows at Ashoka, a non-profit group that supports social entrepreneurs – is piloting an innovative system of waste management that can be installed at one-third of the cost of traditional water and waste systems while also reducing urban water consumption. The model is based on modest investments from the local community, who finance 40 per cent of the project costs – something Mr Aguilar believes will

make the systems more sustainable since, as investors rather than passive recipients of "free" water, communities will have greater incentives to use and maintain the systems. With many Latin American countries still developing basic social services, plenty of opportunities exist for social entrepreneurs to come up with these kinds of innovations. "They don't want to just recreate the old systems of the west," says Raj Kumar, president of Devex, an online recruiting and information hub for the global development community. "They're leapfrogging the developed world, so Latin American countries are in a

sweet spot for business models that make money but also have a social impact." For Dane Smith, managing director at ESG, a non-profit consulting firm, this fits in with what he sees as a growing number of companies in the region that want to tackle social and environmental problems, not through charitable donations, but by adapting their business models to include low-income customers or bring small enterprises into their supply chains. "In some ways this is an easier jump for companies in Latin America than for the US and Europe," he says. "Because they recog-

the power of business to solve social and environmental problems and whose B Corp certification system is being replicated in several Latin American countries. The rapid spread of ideas – such as B Corps, which must place the same emphasis on delivering social and environmental

Human rights or drug abuse are tough to tackle with market-based models

returns as generating profit – is helped by the fact that Spanish and Portuguese are the region's predominant languages, allowing innovations to cross borders more easily. Moreover, global institutions have recognised the potential return on their development investments of funding social enterprise rather than initiating aid-driven programmes. Across the region, organisations such as the United States Agency for International Development and the Inter-American Development Bank have launched initiatives to promote the spread of social entrepreneurship and impact investments (those designed to

help solve a social or environmental problem while also generating a financial return). The extent to which social entrepreneurship is being embraced varies from country to country. Mr Davis highlights Argentina, Chile, Ecuador and Peru as among those at the forefront of the movement. In Chile, for example, government ministries and universities have created startup incubators. "And Peru is high on the list in working with rural innovators that are setting up social entrepreneurship in agriculture," he says. Given the growing interest in this kind of approach, social entrepreneurship

may even have the potential to reinvent the philanthropic sector as donors become more interested in partnership with business. Of course, as in any region, philanthropy will always have a role in Latin America. Problems such as human rights violations or drug abuse are tough to tackle through market-based models. However, the question for savvy philanthropists is whether, in tackling many of the problems they hope to help solve, they could get more from their dollars by supporting entrepreneurs with smart ideas rather than by simply handing out charitable cheques.