

INSTITUTIONAL PHILANTHROPY IN CHILE

PHILANTHROPY AND SOCIAL INVESTMENTS MAPPING

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IN COLLABORATION WITH RESEARCHERS
FROM THE HAUSER INSTITUTE FOR CIVIL SOCIETY,
HARVARD KENNEDY SCHOOL

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RESEARCH TEAM

Direction:

Magdalena Aninat, Director, Center for Philanthropy and Social Investments, CEFIS UAI

Coordination:

Isidora Fuenzalida, Research Coordinator, CEFIS UAI

Associated researchers:

Sebastián García, Elisa Crocco, Katherine Becker

Global Philanthropy Report team:

Paula Johnson, Senior Research Fellow, Hauser Institute for Civil Society, Harvard Kennedy School

Christine Letts, Rita E. Hauser Senior Lecturer in the Practice for Philanthropy and Nonprofit Leadership, Harvard Kennedy School

Christine Fandrich, Research and Program Assistant, Global Philanthropy, Ash Center for Democratic Governance and Innovation, Harvard Kennedy School

PUBLICATION TEAM

Authors: Magdalena Aninat and Isidora Fuenzalida

Style editing, English translation and editorial production: Constanza Meneses, Kerry Dudman

Design and layout: Francisca Sierralta, Loreto Da Bove

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Authors:

Magdalena Aninat
Isidora Fuenzalida

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PRESENTATIONS

CEFIS | CENTRO DE FILANTROPÍA
E INVERSIONES SOCIALES
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Knowledge of a field is fundamental to its development; it helps identify growth barriers, compare local and international realities, define starting points and project its path toward the future. Several data sources in Chile indicate that private giving in diverse social spheres has shown a particular growth over the last few decades. Although the contribution of donations to GDP still hovers around 0.12% in Chile—significantly lower than Anglo-Saxon countries, led by the United States (2% of GDP)—the data shows an increase in both the amount of donations and the number of donors. However, at a local level the realm of private giving has been ignored from a research standpoint, generating not only a gap in academic knowledge, but also in practical and classroom knowledge.

The Philanthropy and Social Investments Mapping complements public data on donations. Through a series of studies, this project provides an in-depth characterization of the different types of active donors in Chile: business owners, corporations, investors, foundations, and citizens. It generates knowledge on the vision and practice of private giving to social products, and identifies barriers to further participation. This research project offers a significant contribution towards reducing the knowledge gap in this field.

This study characterizes institutional philanthropy, which is channeled through separately constituted nonprofit foundations with their own governing board and their own established and reliable sources of income. This kind of giving, known as “patient capital,” is especially necessary to generate social innovation models, and requires persistence and sufficient time to allow its effectiveness in the face of complex social challenges. This study shows that institutional philanthropy in Chile is a growing field, with social investment throughout the country to take on relevant challenges such as education, culture, and environment.

Philanthropy and Social Investments Mapping is a contribution from the first academic center in Chile dedicated to providing knowledge to foster private giving to social welfare, the Center for Philanthropy and Social Investments (CEFIS) of the School of Government at Universidad Adolfo Ibáñez.

This project would not have been possible without the collaboration between Universidad Adolfo Ibáñez (through CEFIS) and Harvard University, which has provided this project with a comparative global framework with the over 20 participating countries in the Global

Philanthropy Report. This agreement has also given rise to the engagement of a research network in the field that connects academic centers across Latin America, with the participation of CEFIS UAI in Chile.

We would especially like to emphasize the ongoing and attentive leadership of Harvard Kennedy School's Harvard Global Philanthropy Report, directed by Paula Johnson and Christine Letts. We would also like to thank the research team at CEFIS UAI led by Isidora Fuenzalida, whose rigorous work has resulted in a project with the depth and quality seen in this publication.

Furthermore, we must underscore the fundamental support of the Reinaldo Solari Foundation, the San Carlos de Maipo Foundation and the Chile Más Hoy Foundation. These organizations understand the value of sharing their knowledge of the philanthropic sector in Chile, thereby contributing to its dissemination and development. We are also grateful to the Center for Public Policy at Universidad Católica and the Asociación de Empresas Familiares for their collaboration, and especially to all the organizations and people that chose to participate in this study.

According to Harvard University, increasing knowledge of the sector is an essential requirement to increasing the effectiveness of philanthropic action. The Philanthropy and Social Investments Mapping will certainly improve philanthropic practices. It will also help create awareness of the role of private giving in strengthening civil society and developing a country that requires greater social cohesion.

MAGDALENA ANINAT

DIRECTOR

CENTER FOR PHILANTHROPY AND SOCIAL INVESTMENTS UAI



Researchers at the Ash Center for Democratic Governance and Innovation and the Hauser Institute for Civil Society, Harvard Kennedy School, in collaboration with colleagues from around the world, are undertaking an initiative to address the critical need for improved knowledge of global institutional philanthropy.

There is broad agreement that private philanthropic investment is poised to have an increasingly important impact across world regions. Yet, its potential will not be fully reached nor its influence fully understood until one of the field's greatest weaknesses is addressed: the paucity of information available to help make informed decisions on social investments and public policies to improve them.

The global research initiative addresses this challenge. Through the development of comparative philanthropic data and information across countries, this initiative will provide knowledge to better understand national philanthropic practices while presenting a global view of the contribution of philanthropic institutions to social development. Findings will be widely disseminated through the Global Philanthropy Report, providing first-of-its-kind data and analysis on philanthropic capital, trends, and practices in countries throughout the world.

This initiative is a joint effort between researchers at the Ash Center and Hauser Institute, and philanthropy research centers in more than 20 countries around the world. In Chile, the initiative involves an important collaboration with the Center for Philanthropy and Social Investments at the School of Government, Universidad Adolfo Ibáñez, led by its director Magdalena Aninat.

The Institutional Philanthropy Study that forms part of the Philanthropy and Social Investments Mapping in Chile is a tremendously important contribution to our understanding of the foundation sector in this country and we are grateful to be able to use the report's aggregate findings in the Global Philanthropy Report.

The study team at the Ash Center and Hauser Institute, Harvard Kennedy School, is pleased to count the Center for Philanthropy and Social Investments among our key collaborators and look forward to future research cooperation.

Respectfully yours,

PAULA D. JOHNSON

SENIOR RESEARCH FELLOW

ASH CENTER FOR DEMOCRATIC GOVERNANCE AND INNOVATION

HARVARD KENNEDY SCHOOL

CHAPTER

1

CHAPTER 1

INTRODUCTION

In Chile there have been isolated attempts to research the development of philanthropy in its different dimensions, be it with a historical vision, a legislative discussion, or a characterization of its stakeholders. Despite the great value of these initiatives in contributing to the knowledge and discussion of the development of the philanthropic sector, there is a clear lack of systematized data available regarding private giving to social development, whether this is channeled through institutions or through direct donations with tax incentives provided under specific legislation.

The scarce systematization of knowledge not only poses a challenge to its study, but also results in a poor comprehension of its role and the impossibility of further ongoing analysis that would eventually develop and strengthen the field. Studies from Harvard University have identified the scarce information available as an important challenge to the understanding and promotion of philanthropy in Latin American countries, and have highlighted the need to demonstrate philanthropic impact in order to modify perceptions on philanthropy and increase its practice (HIHU and UBS, 2015, p. 22 and p. 51).

The goal of the Philanthropy and Social Investments Mapping conducted by the Center of Philanthropy and Social Investments (CEFIS UAI) is to characterize the vision and practice of diverse types of private donors and philanthropic structures that can be adopted for investment in different areas of social development. The main objective of this research project is to contribute to the knowledge of the sector and detect any barriers to the strengthening of the Chilean philanthropic ecosystem.

The lack of systematization and availability of data on private giving to social development generates difficulties for its study, a poor comprehension of its role and a real obstacle to further comprehensive analysis of the matter.

INSTITUTIONAL PHILANTHROPY

Philanthropy alone cannot solve social problems in quantitative terms, especially in societies with high levels of inequality. However, as indicated by John Coatsworth, philanthropy has the ability to play a significant qualitative role, i.e., to build networks, mobilize resources, promote successful and effective models, leverage resources, and strengthen civil society (Coatsworth 2008, p.10-11). These abilities can make a special appearance through institutional philanthropy, which has an independent operating structure, a permanent source of funding and an independent governance system. These characteristics set a stage where it is feasible to contribute to “patient capital,” engaged resources (human, financial, and networks) with a long-term vision and the capacity to take on innovation or even risks in intervention models designed to address complex social and/or environmental challenges.

This Institutional Philanthropy Study, which forms part of the Philanthropy and Social Investments Mapping, provides an initial approach towards a specific field in the philanthropic ecosystem, with a limited scope on the civil society map,¹ but a significant projection as a catalyst for innovation, networking, and financial capital in strengthening the third sector and social welfare as a whole.

Institutional philanthropy has an operating structure, independent governance, and a permanent source of funding to contribute to social change with a medium- and long-term vision.

¹ According to data from the Center for Public Policy UC, there are 234,502 civil society organizations in Chile, of which only 0.2% belong to the category of “Philanthropic brokers and volunteer advocacy”, with a legal status pertaining to foundations, associations, grassroots community organizations, neighborhood councils, or community boards. See *Mapa de las Organizaciones de la Sociedad Civil 2015*, Centro Políticas Públicas Universidad Católica, January 2016.

THE STUDY

For the purposes of this study, institutional philanthropy is philanthropy channeled through current, legally incorporated philanthropic foundations that have stable or permanent funding sources, where 50% or more come from a private source, and which have an independent governing board or similar governance organism, have no shareholders, and focus their efforts on distributing their financial resources among social, educational, cultural, environmental, or other public benefit purposes. From this universe of organizations, this study gathers data on their operation, work system, focus, beneficiaries, financial resources, assessment system, corporate governance and human resources, providing an in-depth look at the current characteristics of these organizations and the field in general. Through this, we are able to achieve the first goal of this study: to characterize institutional philanthropy and provide a structural and operational definition of this type of philanthropic structure.

The Institutional Philanthropy Study is undertaken as part of a collaborative effort between the Center for Philanthropy and Social Investments of Universidad Adolfo Ibáñez School of Government, the Hauser Institute for Civil Society at Harvard Kennedy School, and over 20 countries involved in the Global Philanthropy Report. The GPR Harvard research team has observed a change in the types of philanthropic donations, where high net-worth individuals, families, and corporations are looking not only to increase their donations, but also to contribute in a more strategic way to achieve a higher social impact. “Increasingly, many philanthropists aim to move from “charity to change” or from “aid to investment” and are creating foundations and other formal giving structures to help them achieve their goals. Motivations vary but may include an understanding that institutions can: encourage a more strategic approach; have greater visibility and become role models; facilitate easier collaboration; and, in sum, have greater impact on intended goals” (Harvard University, 2015).

This leads to a second objective of this research: to provide data that can be compared with other countries, enabling a comprehension of the local reality of institutional philanthropy on a global perspective.

This study begins by providing a summary of the main findings, followed by an explanation of the methodology.

Below are the overall results of the field of institutional philanthropy, and results by type of foundation (family, corporate and independent), distinguishing differences within the field. Finally, based on the analysis of direct data and secondary data obtained through international studies, this study identifies nine challenges faced by the field. This leads to fulfillment of the third and final objective of this study: to provide knowledge about one of the philanthropic sectors in Chile, and thereby contribute to an informed discussion on its relevance and development potential.

This study provides data that can be compared with other countries, enabling a comprehension of the local reality of institutional philanthropy on a global perspective.

MAIN FINDINGS

▶ **FOUNDATION TYPE AND OPERATION:**

45% of foundations are family foundations, 26% are corporate or company-sponsored foundations, and 29% are independent foundations. Institutional philanthropy mainly operates in Chile through a foundation's own programs (58%) or through a combined system of grants to third parties and the operation of own programs (24%). Only 18% of foundations operate solely through grants to third parties.

▶ **GROWTH:**

Institutional philanthropy has shown strong dynamism over the last decade. This growth can be seen especially through the emergence of family foundations—66% of these have been operating for less than 10 years. Corporate and independent foundations have a longer track record in Chile, where 68% and 79% have been operating for more than 10 years, respectively.

▶ **GEOGRAPHIC PRESENCE:**

Institutional philanthropy is present throughout the country, and one quarter of foundations have programs with a national scope. Despite this, the focus of their operations is mostly in the Metropolitan Region (61%), followed by the Region of Valparaíso (30%). Finally, around one tenth of foundations also allocate resources to other Latin American countries.

▶ **BENEFICIARIES:**

35% of philanthropic foundations focus mainly on beneficiaries between 8 and 18 years of age; 17% of foundations primarily target adults over 18, and 15% of foundations prioritize beneficiaries in preschool or early childhood.

▶ **SOCIAL INVESTMENT AREAS:**

The main target for foundation resources is education (37%), followed by social welfare and development (15%), and then by arts, culture and heritage (13%), and environmental conservation (13%). The next areas in terms of priority relate to care for senior citizens, children, and youth; to health, sports, and healthy lifestyle; and science, technology, and research, albeit they do not exceed 10%.

▶ **INCOME:**

The most common sources of income in philanthropic foundations are corporate contributions, family or individual contributions, and endowment income. Endowment funds are mainly found within family foundations.

▶ **SOCIAL INVESTMENT AMOUNT:**

Philanthropic foundations are surmised to have spent over US\$ 83 million in different social areas during 2015. Specifically, over 1,500 grants were made to third parties, which were received by a total of almost 800 grant recipients, at an aggregate amount greater than US\$ 20 million.

▶ **ASSESSMENT SYSTEMS:**

Project or program assessment policies are a predominant component of Chilean institutional philanthropy, and these processes rely heavily on the organizations' internal teams. Impact assessments on control groups are used by one quarter of the foundations, with a higher ratio in corporate foundations.

▶ **CORPORATE GOVERNANCE:**

Over 90% of foundations provide no economic compensation to board members. Notwithstanding the above, board members have significant participation in different duties, both in the decision-making process and in the definition and development of tasks. Females make up almost one third of all foundation directors, a higher percentage than the participation in the business sector.

▶ **EMPLOYMENT:**

Foundations employed over 1,300 people in full-time paid positions during 2015, with a significantly higher average number of employees among foundations that operate their own programs than in those that are exclusively donors. The number of full-time volunteers is also higher in foundations that operate their own programs.

CHAPTER

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CHAPTER 2

METHODOLOGY

The Center for Philanthropy and Social Investments from the UAI School of Government, as part of the collaboration agreement with the Hauser Institute for Civil Society from Harvard Kennedy School, has developed a structural and operational definition to identify philanthropic organizations that represent institutional philanthropy. This chapter presents the conceptual framework, the definition of the universe and the methodology used in this study.

CONCEPTUAL FRAMEWORK

There is no universal definition for the organizations that represent institutional philanthropy, and the existing legal definitions are not consistent between different countries. As a result of this, the criteria established to identify the organizations in the study universe, while being restrictive, seek to ensure the comparability of the data to be used in the Global Philanthropy Report to be elaborated by the Hauser Institute of Civil Society from Harvard Kennedy School, and these have been adapted for their applicability in Chile.

The inclusion and exclusion criteria used to identify the organizations in the study universe include the following:

- Legally incorporated organization: the study initially defined that all selected organizations had to be registered as currently active foundations in the Registry of Civil Society Organizations at the Civil Registry. For applicability in Chile, all organizations in the study were required to be incorporated as foundations, since this legal entity involves equity set aside for a specific purpose as its basic element, and it has no members, only recipients.²

- Stable or permanent financing, where 50% or more comes from a private source (sources considered private include family, individual, corporate, or international cooperation funds). This financing can be permanent or occasional contributions from private sources, and/or income from an equity or endowment fund from the organization's initial capital. It also includes foundations that have reached economic sustainability through the development of operations, but were started thanks to a substantial private capital contribution and their current operation and future growth depends on ongoing support from these private sources. It excludes organizations whose legal status is a foundation but whose operation and future growth mainly depends on annual fundraising, as well as any foundations with direct ties to the government, whether through the reception of government resources under the National Budget Law or the participation of public authorities in its corporate governance.
- Independent board or similar governance organism.

² Article 545 of the Civil Code (modified by the article 38 of Law N° 20.500 on Associations and Public Participation in Public Management) differentiates between an association, which is formed by a meeting of people around a common interest for the associates, and a foundation, which is constituted through the transfer or conveyance of assets for a determined purpose of general interest.

- No partners or shareholders.
- Distribution of financial resources in social, educational, cultural, environmental, or other public benefit purposes: this includes foundations that financially support individuals or institutions and/or those that operate their own programs. Foundations associated with to political authorities or political parties were eliminated.
- Operating organization: other than a document of incorporation, the foundation must have an internal structure, goals, and active corporate governance. This excludes foundations that are currently inactive or inoperative, i.e., that only have a legal constitution but without the mentioned characteristics.

DEFINITION OF UNIVERSE

In Chile there is no public registry that provides an *a priori* approach to identifying eligible organizations for this study, since the information available in the Civil Registry regarding legally incorporated organizations has no category that identifies type of financing or operating status.

Furthermore, although Article 557 of the Civil Code indicates that the Ministry of Justice has oversight of nonprofit private legal entities—and can therefore require their representatives to provide board sessions, accounts, and approved reports, accounting records, inventory records, salary records, and any other relevant information—this institution does not make this information available to the public.³

In this context, the identification procedure for the definition of the universe was based on multiple sources and carried out in two stages: the first stage involved a survey of foundations through different sources of information, and

the second stage involved a validation process to verify the inclusion criteria presented above.

First stage: surveying through different sources of information

The following areas were reviewed as sources of information for identifying foundations:

- A list of organizations that register donations with the Internal Tax Service: this list included 93 foundations that had made some type of donation⁴ between 2006 and 2014, based on information provided by the Internal Tax Service under Law N° 20.285 on access to public information.
- A list of 143 corporations and foundations associated with the network of the Association of Family Corporations (*Asociación de Empresas Familiares*).
- The directory of corporate groups (*Nómina de Grupos Empresariales*) from the Superintendent of Securities and Insurance) in September 2015: this online listing of 128 corporate groups and corporations⁵ was reviewed to determine the existence of foundations associated with each corporation.
- The Map of Civil Society Organizations (*Mapa de las Organizaciones de la Sociedad Civil*) database, developed by the Center for Public Policy at the Pontificia Universidad Católica de Chile in the context of the Sociedad en Acción research project. This involved the review of 407 organizations registered under the category of “Philanthropic brokers and volunteer advocacy,” representing 0.2% of the civil society organizations identified by this project. Of this listing, 98 organizations were legally incorporated as foundations.

- A list of organizations that grant scholarships under the Fundación por una Carrera website: this involved a review of the institutes published on the website⁶ to identify foundations that grant educational scholarships.
- Namesake foundations: of the list of foundations registered in the Civil Registry, the study conducted a search for foundations named after individuals which involved personal or family legacies. This list includes a total of 3,094 registered foundations, of which 35 additional foundations were identified with these characteristics and were subsequently reviewed in the validation stage.
- References from stakeholders: throughout the universe definition process and validation process, we consulted with relevant stakeholders who were familiar with the

foundation sphere in Chile for references. An additional 20 foundations from these sources were reviewed.

Second stage: validation

As part of the validation process, the team checked the Civil Registry listing from 2015 to verify registration and validity of each foundation identified. This was followed by direct contact or review of their websites to ensure compliance with the aforementioned inclusion criteria.

Table 1 shows the list of databases and sources consulted, alongside the number of foundations reviewed for each, to eventually define a study universe of 108 philanthropic foundations.

TABLE 1. SOURCES CONSULTED FOR THE DEFINITION OF THE UNIVERSE FOR INSTITUTIONAL PHILANTHROPY MAPPING 2016

Source	Organism providing the information	Nº of foundations reviewed	Nº classifying foundations
List of foundations that have registered donations	Internal Tax Service	93	
AEF contact network list	Association of Family Corporations (AEF)	143	
Directory of corporate groups, September 2015	Superintendence of Securities and Insurance	541	
Map of Civil Society Organizations database 2015	Public Policy Center, UC	98	108
Organizations that grant scholarships	Fundación por una Carrera	22	
Search for namesake (legacy) foundations	Civil Registry	35	
References from key stakeholders		20	

Source: authors
The foundations identified from each source are not mutually exclusive.

³ We requested the Ministry of Justice for the reports and balance statements for the list of foundations that make up the study universe, as per Law N° 20.285 on access to public information. However, the request was denied.

⁴ Donations that are reported in Sworn Statements 1828 and 1832 under the following legislations: Article 8°, Law N° 18.985 modified by Law N° 20.675 (cultural purposes); Article 31°, N° 7, Law of Income Tax (education and public welfare entities); Article 46°, Law Decree N° 3.063 on Municipal Income and DFL N° 1, Ministry of Treasury 1986 (education, science, and technology, and social action); Law N° 18.681 (grants for higher education institutes); Article 3°, Law N° 19.247 (educational purposes); Article 62° and following, Law N° 19.712 on Sports Donations; Law N° 19.885 on Donations with Social Purposes.

⁵ www.svs.cl, September 2015.

⁶ www.porunacarrera.cl, December 2015.

The identification of the institutional philanthropy universe is a process in constant construction given the nonexistence of a single objective source available and the emergence of new foundations during the year the research took place. Although this study is based on an exhaustive review of the available sources, it is possible that it does not include 100% of the organizations that represent institutional philanthropy in Chile to date. Therefore, CEFIS UAI will continue to update this universe after the publication of this study.

METHODOLOGY

Study type

The study of institutional philanthropy in Chile is a descriptive research project based on a census methodology applied to the universe of philanthropic foundations identified. Due to the reduced overall number of the universe, the construction of a representative sample was not justified in statistical terms.

Instrument

Researchers from the Hauser Institute for Civil Society from Harvard Kennedy School worked with local research teams participating in the Global Philanthropy Report⁷ initiative to determine the survey instrument.

The instrument is a structured questionnaire that addresses the following study dimensions:

- Governance and employment
- Financial resources
- Organizational focus
- Operational strategies
- Assessment system

⁷ The preparation procedure for this instrument involved an in-person discussion stage at the Global Philanthropy Report Workshop, held from October 28-30, 2015 at Harvard University, Cambridge, MASS. This was followed by an online discussion and definition stage held between January and June 2016. On June 25-26, the participating research teams from Mexico, Argentina, Colombia, Chile, and Peru met at Universidad del Pacífico in Lima and reviewed the regional adaptation of the instrument translated into Spanish. The CEFIS UAI team participated actively in all of these instances.

⁸ **Arts, culture and heritage:** Arts and culture, and conservation of history and heritage. **Welfare and social development:** Community and grassroots development, economic development, catastrophe response, agriculture, forestry, and fishing, poverty alleviation, public safety, entrepreneurship, habitat and housing, and religion. **Education:** Primary, secondary and higher education. **Health, sports, and healthy lifestyle:** Health, sports and recreation, and use of free time. **Environmental conservation:** Environmental and animal conservation. **Science, technology, and research:** Science and technology, and information and communication. **Public and global affairs:** International relations and global affairs, public policy and public affairs, institutional capacity-building, democracy, public participation and the nonprofit sector. **Childhood and youth:** Early childhood care and youth development.

Given the extent and the high level of detail that the questionnaire required, its application was person-to-person with members of the CEFIS UAI research team, through face-to-face interviews with the CEO, the executive director, or other member designated by the foundation. The annual report and balance sheet for the 2015 fiscal year as well as donation registry were requested for data collection for the financial section. The data collection period had a total duration of four months between August and November 2016.

Analysis

Because of its descriptive nature, the analysis carried out for this study considered:

- Re-categorization and construction of new variables (beneficiaries and social issues).⁸
- Descriptive analysis: Univariate, bivariate and multivariate of the questionnaire's variables.
- Central tendency measurements: media, standard deviation, medium, minimum, maximum.
- Codification and analysis of open-ended questions.

The reported amounts were calculated in US dollars, with an exchange rate of 1 USD = 703 CLP. In addition, all percentages were rounded to the nearest whole number.

Confidentiality agreement

CEFIS UAI signed a confidentiality and nondisclosure agreement with each of the participating foundations. Through this agreement, CEFIS UAI ensured that no foundation interviewed could be individually identified in the study results. In addition, CEFIS UAI signed a confidentiality and nondisclosure agreement with each member of its research team. Furthermore, in the collaboration agreement signed between UAI and Harvard

University for developing this research, both institutes pledged to protect the confidentiality of the survey data provided by the organizations. In conclusion, all survey data is kept under the strictest of confidentiality.

Survey success rate

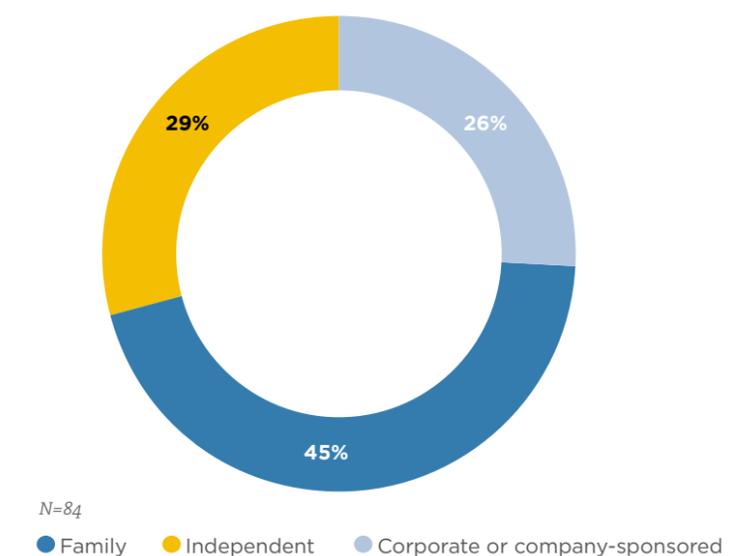
A contact protocol with the foundations was established as part of the information gathering process, and resulted in an effective participation of 78% of the total study universe. The foundations that chose not to participate or did not respond after at least three attempts to reach them through different channels (letter, email, telephone and/or direct on-site visit from a researcher) were removed from the survey pool.

Given the census methodology used, there are no sampling errors associated with this study. However, considering that participation was voluntary and that 20% of the foundations chose not to take part in the study, there

is a possible selection bias associated with the specific characteristics of the non-participating foundations. The reasons given by these institutes for excluding themselves from participating were: their team was undergoing a reformulation of goals or governance team, they were not available during the data collection period, or their internal confidentiality policies prohibited their participation.

Of the foundations surveyed,⁹ almost half (45%) are family foundations, i.e., they are private independent entities established by a family with funds derived from members of a single family group (Graph 1). Corporate or company-sponsored foundations, whose funds are mainly derived from the contributions of a for-profit company or corporate group, represent 26% of the cases. Finally, 29% of the organizations that took part in the study are independent foundations and foundations that have been created by a cooperation organism from international funds.

GRAPH 1. TYPES OF FOUNDATIONS SURVEYED



⁹ The own foundations were responsible for self-identifying their foundation type in the survey.

CHAPTER 3

OVERALL RESULTS

This section presents the overall characteristics of the organizations surveyed in this study in connection with institutional philanthropy.¹⁰ This chapter takes a look at aspects related to their history, type of operation, beneficiaries and operational focus, administrative and financial aspects, and impact assessment and measurement.

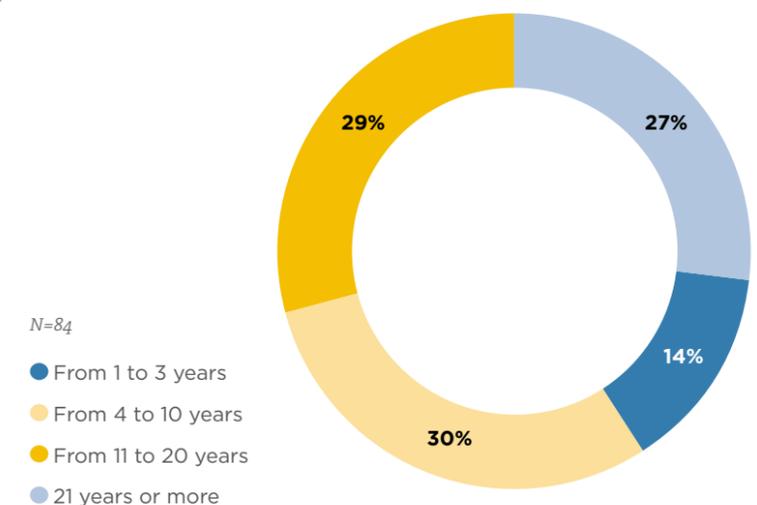
HISTORY, FOCUS, AND BENEFICIARIES

History

Institutional philanthropy in Chile is a sector with a long track record: over half of the foundations have been in operation for 11 years or more (Graph 2). At the same time, the sector has shown a strong dynamism over the last decade: 44% of the foundations have been around for 10 years or less, and of this group of “young” foundations, 14% have less than three years of history. Family foundations explain the recent growth of the sector: most were created within the last 10 years, while corporate foundations are generally older than 11 years, and most independent foundations surpass 21 years.

Institutional philanthropy in Chile is a sector with decades of history and significant dynamism in recent years.

GRAPH 2. AGE OF FOUNDATIONS



¹⁰ The results correspond to data provided by participating foundations.

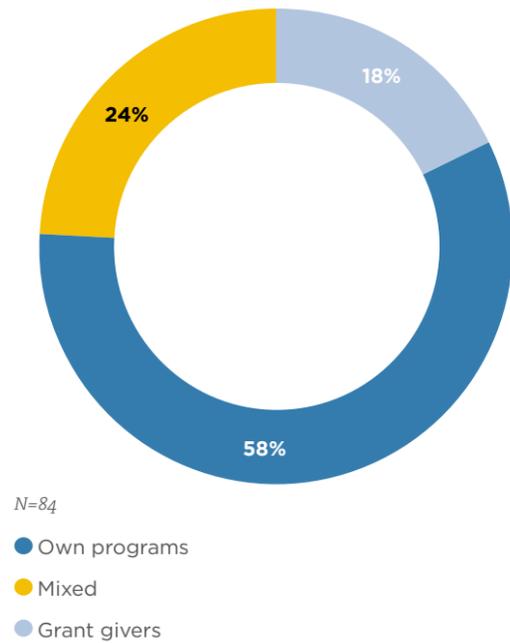
CHAPTER

3

Type of operation

Institutional philanthropy in Chile operates mainly through an organization's own programs (58%) or a mixed system of grant-giving to third parties combined with own programs (24%) (Graph 3). Only 18% of the foundations surveyed operate exclusively through grant-giving to third parties.

GRAPH 3. FOUNDATIONS PER OPERATION TYPE



Social investment focus

Although many foundations have more than one investment focus, in Chile investment is mostly concentrated in education (37%), followed by welfare and social development (15%),¹¹ arts, culture, and heritage (13%), and environmental conservation (13%). Age-specific issues, such as senior citizens, childhood, or youth (excluding education), and areas related to health, sports, and healthy lifestyle, or science, technology, and research also appear among the main priorities, but in a lower percentage of foundations (Table 2).

TABLE 2. MAIN ISSUE OR SOCIAL FOCUS

Main focus	Total
Education	37%
Welfare and social development	15%
Environmental conservation	13%
Art, culture, and heritage	13%
Childhood, youth, and/or senior citizen care	10%
Health, sports, and healthy lifestyle	6%
Science, technology, and research	6%
Total	100%

N=84

A comparison of main issues after disaggregating for operation type reveals that grant-giving foundations mostly focus on education (80%) (Table 3). The same issue is also priority among mixed foundations (50%), but at a lower proportion than grant-giving foundations. Foundations that operate their own programs show a greater diversity in issues, with the greatest focus on arts, culture, and heritage (20%), environmental conservation (20%), education (18%), and welfare and social development (18%).

TABLE 3. MAIN ISSUE PER OPERATION TYPE

	Grant givers	Mixed	Own program operators
Education	80%	50%	18%
Arts, culture, and heritage	0%	5%	20%
Environmental conservation	0%	5%	20%
Childhood, youth and/or senior citizen care	7%	15%	8%
Science, technology, and research	0%	5%	8%
Welfare and social development	7%	15%	18%
Health, sports, and healthy lifestyle	7%	5%	6%
Overall total	100%	100%	100%

N=84

Percentages rounded to the nearest whole number.

Regarding age, in both the newer foundations (less than 10 years) and the older ones (over 21 years), education is the main focus, while foundations between 11 and 20 years old predominantly focus on environmental conservation and art, culture, and heritage.

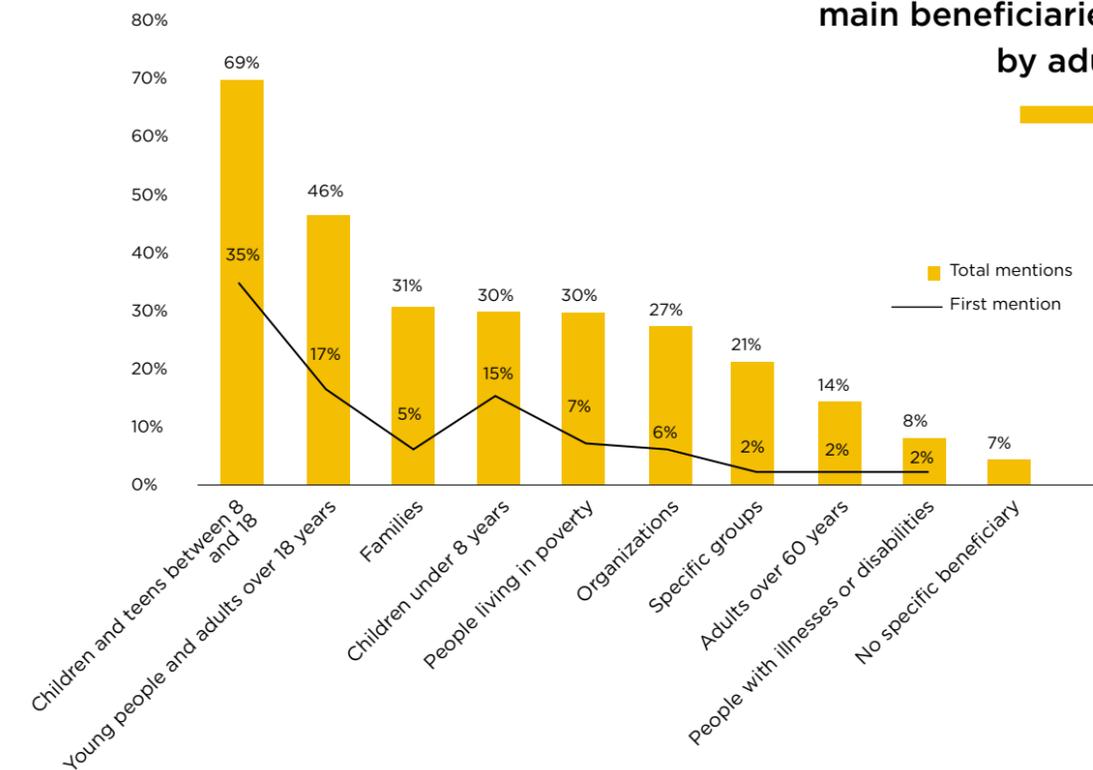
¹¹ This category includes poverty alleviation, social welfare, human and civil rights, social entrepreneurship, and community development.

Beneficiaries

Foundations identify children and youth as their main beneficiaries, followed by adults over 18 (Graph 4). A large proportion of foundations declare their main beneficiaries to be minors between ages 8 and 18 (35%), followed by young people and adults from 18 years and up (17%), with the third most important group of beneficiaries being preschool or early childhood with 15% of first responses. When considering all responses, the top two beneficiary groups, minors between 8 and 18, and young people and adults over 18 years, maintained their trend, mentioned by 69% and 46% of foundations,

respectively. The third most important group of beneficiaries, when considering all responses, are families, mentioned by 31% of the foundations surveyed. The percentage of foundations that identify specific groups of people, such as indigenous groups, minority communities, immigrants, etc., as beneficiaries is significantly smaller: only 2% of first mentions and 21% overall mentions. The beneficiary group with the smallest percentage identified by foundations refers to people who require specific treatment or specialized care, such as those with illnesses, disabilities, or senior citizens, with no more than 14% of total responses and only 2% of first mentions.

GRAPH 4. FOUNDATION BENEFICIARIES¹²



N=84

¹² Foundations were asked to mention five beneficiary groups in order of priority. Total mentions were calculated by adding up the amount of mentions for each group.

Foundations identify children and youth as their main beneficiaries, followed by adults over 18.

8%
of philanthropic foundations also allocate resources to other Latin American countries.

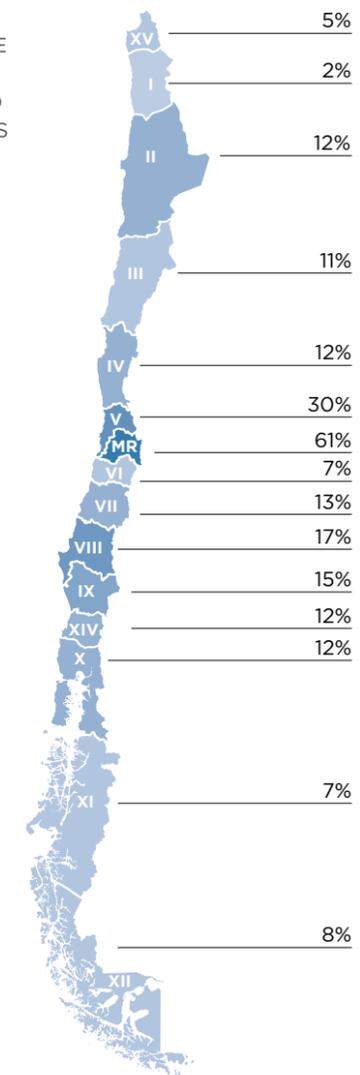
4%
of philanthropic foundations allocate resources to other countries outside the region.

Geographic zone

Although institutional philanthropy has a presence throughout the country, foundation work is not evenly distributed throughout national territory. While 24% of the foundations have nationwide initiatives—without distinguishing a specific region—a significant proportion of foundations allocate their resources with a specific geographic focus on one or more regions (Figure 1). According to data, 61% of foundations surveyed focus their work on the Metropolitan Region, followed by 30% on the Valparaíso Region. The regions where the least number of foundations operate or allocate resources are Aisén and Libertador Bernardo O’Higgins (both with 7%), Arica y Parinacota (5%), and Tarapacá (2%).

On the other hand, 8% of philanthropic foundations also allocate resources to other Latin American countries and 4% to countries outside the region.

FIGURE 1. PERCENTAGE OF FOUNDATIONS THAT OPERATE IN AND ALLOCATE RESOURCES TO CHILEAN REGIONS.



Multiple choice question, total does not add up to 100%.

Although institutional philanthropy has a presence throughout the country, foundation work is mainly focused on the Metropolitan Region, followed by the Valparaíso Region.

PHILANTHROPIC OPERATIONS AND RESOURCES

This section examines the philanthropic operations of the foundations surveyed, analyzing their financial and social expenses according to different issues, and the characteristics of their programs and grants. Due to internal confidentiality policies, some questions regarding amounts were under-reported, and therefore some specific results must be analyzed on their own merit. Nonetheless, the study provides data on the magnitude of the social expense on an aggregate level.

Financial resources: Endowment, assets, income, and expenses

Philanthropic foundations have a financial backing that enables them to generate a permanent flow of income and expenses, and project their work over time. Funding sources include endowments,¹³ annual income from different sources, and ongoing assets that make up a foundation's equity.

27% of the foundations that answered the question have an endowment, which has its highest concentration in family foundations (39%), followed by 26% of independent foundations and just 5% of corporate or company-sponsored foundations. Of the foundations with endowments that responded regarding the amount, half of these indicate that their endowment value is greater than US\$ 5 million and 17% indicate that it is above US\$ 20 million (Table 4).

TABLE 4. ENDOWMENT IN FINANCIAL INCREMENTS

Increments in USD	Endowment (n=18)
Between 100,000 and 500,000	6%
Between 500,000 and 1 million	6%
Between 1 million and 5 million	38%
Between 5 million and 20 million	33%
Over 20 million	17%

N=18 (21 foundations reported having an endowment, but only 18 reported the amount).

27%
of foundations have an endowment fund, which is mainly concentrated in family foundations.

Over half of the foundations have a total asset value greater than US\$ 1 million and one fifth of foundations have an asset value above US\$ 5 million (Table 5). These numbers include different types of assets (cash, shares, bonds, real estate, property). There are also foundations in the survey group that do not count their endowment among their assets for accounting purposes, which makes appraisal of assets inconsistent.

TABLE 5. FINANCIAL STATEMENTS AT 2015 YEAR END

	Assets	Income	Total expenses
Less than 100,000	17%	20%	17%
Between 100,000 and 500,000	24%	32%	39%
Between 500,000 and 1 million	7%	10%	8%
Between 1 million and 5 million	32%	28%	26%
Over 5 million	20%	10%	11%

Percentages rounded to the nearest whole number.

Over half of the foundations have income below US\$ 500 thousand, while 38% have income above US\$ 1 million. In line with this, most foundations have a total annual expenditure¹⁴ below US\$ 500 thousand, while 37% exceed US\$ 1 million.

Over half of the foundations have a total asset value above US\$ 1 million.

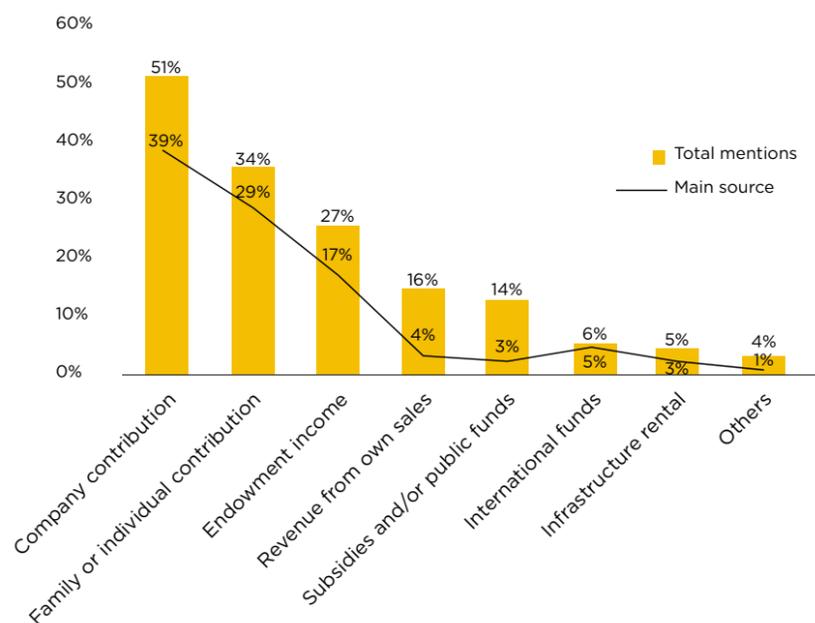
¹³ The study defines an endowment fund as a profitable source of funding that provides a foundation with the resources it needs to operate.

¹⁴ Total annual expenditure includes administrative expenses, program operation expenses and/or grants given to third parties.

Most foundations have more than one main source of income. The most mentioned are corporate contributions (51%), family or individual contributions (34%), and endowment income (27%), which are also the top three mentioned as the main source of income (Graph 5). Around

15% of foundations report sales of own products or services and/or subsidies or public funds as a source of income.¹⁵ Finally, a smaller group of foundations generate revenue by renting infrastructure that they own (5%), which is another way to capitalize on the foundation's equity.

GRAPH 5. SOURCES OF INCOME



The most common sources of income in philanthropic foundations are company contributions, family or individual contributions, and endowment income.

N=79 for total mentions, and n=77 for main source. Total mentions: multiple choice question, total does not add up to 100%.

When asked about the organization's budget projections for 2017, 69% believe this will not undergo major changes, 22% believe it will significantly increase, and 6% believe it will significantly decrease. Among those who anticipate a similar budget level, the most common reasons are the fact that they have a fixed budget (33%) or are working to maintain expenses within the established investment

lines (17%). Foundations that estimate a budget increase mostly indicate expansion through new strategies or lines of action (57%) or an increase in available resources (29%) as the reasons. Finally, the main reason given by foundations that anticipate a decrease is a change in strategy as part of a search for greater financial autonomy for both beneficiaries and foundation programs.

¹⁵ In 7% of the cases, own sales or public subsidies are the main source of income. These foundations also have private funding sources that ensure their continuity beyond a change in the conditions of this source of income, considering that their origin lies in a significant private capital contribution, and their current operations still depend on ongoing private sources, whether these are to subsidize the cost of the products they sell or the services they render, or to expand and develop their work.

Social expenditure

Social expenditure considers cash investment by foundations as part of their social projects (which includes programs and/or grants to third parties).

Due to the internal confidentiality policies of some foundations, some answers in the financial resources section were under-reported. Expenses allocated to philanthropic activities according to their social issue achieved a response rate of 74%. To estimate total sector expenses, the study created an expense projection variable for the foundations that didn't respond, taking into account other characteristics observed.¹⁶ This calculation projects that philanthropic foundations spent over US\$ 83 million in different areas during 2015.

An analysis of the issues that the organizations allocate resources to (Table 6) shows education as the highest expense, with a total investment estimated at over US\$ 23 million in 2015, followed by arts, culture, and heritage, with a total expense estimated at almost US\$14 million, and in third place, welfare and social development, with almost US\$ 13 million in aggregate terms. The issues with the least total

amount of resources allocated are environmental conservation (US\$ 4.2 million) and public and global issues (US\$ 2.6 million).

However, certain points are determinant when analyzing the average social expense per foundation in each area. Arts, culture, and heritage is one of the issues with the highest aggregate and average expenses, averaging more than US\$ 600 thousand per foundation. By contrast, the areas of science, technology, and research, and health, sport, and healthy lifestyle have a lower relative weight overall, but they show an average expenditure per foundation that is significantly higher than other areas (Table 6). On the other hand, environmental conservation, which is the main issue for 13% of the foundations (Table 2), ranks next to last place in terms of aggregate social expenditure, and averages only US\$ 136 thousand annually per foundation (Table 6).

Overall, the median social expenditure is well below the average, which indicates the existence of extreme outliers, meaning that there are a few foundations that assign comparatively more resources than the majority of the group.

TABLE 6. ESTIMATED SOCIAL SPENDING, 2015

	Average expenditure per foundation	Median social spending	Total annual social spending (n=62)	Total annual social spending (Projection to n=84)
	US\$ M	US\$ M	US\$ M	US\$ M
Education	551	220	20,939	23,018
Arts, culture, and heritage	618	87	9,278	13,865
Welfare and social development	305	62	7,635	12,941
Science, technology, and research	1,224	127	9,793	11,331
Health, sports, and healthy lifestyle	791	54	5,540	8,479
Childhood and youth care	335	88	4,029	7,236
Environmental conservation	136	83	1,638	4,215
Public and global affairs	294	111	2,652	2,652
Total	732	324	61,504	83,737

¹⁶ The study estimated social spending for the foundations that did not declare their expenses by assigning the average expense for foundations with similar characteristics, based on information taken from the following three variables: 1) foundation type (independent, family, corporate), 2) operation type (donor, mixed, program operators), 3) main resource allocation area.

Characteristics of grants to third parties

In 2015, 42% of the philanthropic foundations made grants to third parties, i.e., economic transfers in the form of donations, grants, or scholarships to external organizations and individuals. In total, there were over 1,500 grants, received by a total of almost 800 beneficiaries. Although not all foundations reported the amounts associated with these grants, an estimate of total grant expenditure to third parties from philanthropic foundations was calculated based on the amounts reported by 86% of the organizations, and other characteristics observed in the cohort.¹⁷ This enabled the study to estimate that the total amount granted by foundations as donations to third parties during 2015 is greater than US\$ 20 million (Table 7).

Foundations whose main issue is education make the largest amount of financial grants to third parties in aggregate terms, with grants in 2015 that exceeded US\$ 12

million, followed by foundations focused on health, sports, and healthy lifestyles, with an annual donation expenditure of almost US\$ 6 million (Table 7). This is followed by

foundations whose main issue is welfare and social development (US\$ 1.1 million), foundations for arts, culture, and heritage (US\$ 0.6 million), and foundations focused on early childhood, youth, and/or senior citizen care (US\$ 0.5 million).

On the other hand, foundations whose main focus is science, technology, and research, and environmental conservation overall total donate the least amounts of money to third parties.

In 2015, over 1,500 grants were received by a total of almost 800 beneficiaries, reaching an aggregate total greater than US\$ 20 million.

TABLE 7. CHARACTERISTICS OF GRANTS TO THIRD PARTIES BASED ON MAIN ORGANIZATIONAL FOCUS, 2015

	Total US\$ M (n=30)	Total US\$ M (Projection to n=35)
Education	10,808	12,422
Health, sports, and healthy lifestyle	5,718	5,953
Welfare and social development	1,124	1,124
Arts, culture, and heritage	625	625
Childhood and youth care	155	492
Science, technology, and research	2	2
Environmental conservation	1	1
Total	18,433	20,619

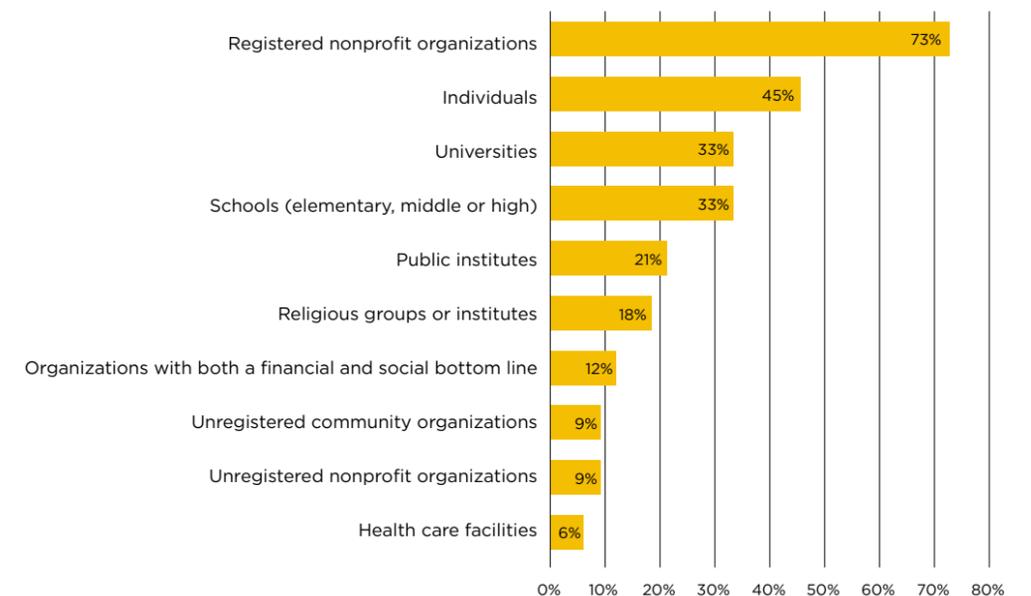
N=30

¹⁷ The study estimated grant spending for the foundations that did not declare their grants to third parties by assigning them the average grant given by foundations with similar characteristics, based on information taken from the following variables: 1) foundation type (independent, family, corporate), 2) operation type (donor, mixed, program operators), and 3) main resource allocation area.

Foundations that give grants to third parties mainly donate to registered nonprofit institutions (73%) and private individuals (45%, mainly through scholarships) (Graph 6). Other grantees include universities and elementary, middle, and high schools with 33%.

Organizations with both a financial and social bottom line (such as social enterprises), unregistered for-profit or nonprofit organizations, and health care facilities represent the smallest grantee groups (Graph 6).

GRAPH 6. BENEFICIARIES OF GRANT-GIVING FOUNDATIONS



N=35
Multiple choice question, total does not add up to 100%.

Most grant-giving foundations donate to nonprofit institutions or private individuals.

Characteristics of independent programs

As aforementioned, 82% of the foundations surveyed operate their own social programs. Of these, the most common are educational programs in different areas (sports, environment, arts, safety, health, recycling, family, etc.) and institutional capacity-building programs for educational establishments (management, training, infrastructure, etc.) (Table 8).

To a lesser extent, foundations report programs related to sports, health (health care, psychological attention, rehabilitation programs), or cultural institutes and programs (museums, theaters, artistic or cultural events, etc.).

TABLE 8. TYPES OF SOCIAL PROGRAMS OPERATED BY FOUNDATIONS

Types of own programs	%
Educational programs in different areas	64%
Administration or institutional capacity-building programs for educational establishments	54%
Research or knowledge management	38%
Training programs for local community leaders	26%
Environmental conservation programs and administration	23%
Training and networking for entrepreneurs or micro entrepreneurs	19%
Institutional capacity-building programs for social organizations	17%
Heritage conservation or reconstruction programs	13%
Sports programs	11%
Health programs	11%
Management of cultural programs and institutes	10%

N=69

Organizational support

55% of foundations include support for other organizations as part of their philanthropic operations, through grants or operation of their own programs. When this support appears in the shape of financial resources to external organizations (Table 9), the main areas funded are projects or programs (91%), followed to a lesser extent by operational or institutional capacity-building (41%).

Other areas that philanthropic foundations finance to a lesser extent include research, impact assessment, awareness and advocacy campaigns for social causes, marketing and/or fundraising, and deficit or emergency funds.

TABLE 9. AREAS OF FINANCIAL SUPPORT FOR ORGANIZATIONS

Organizational areas that receive financing	%
Project or program funding	91%
Operational or institutional capacity-building	41%
Research or impact assessment	17%
Awareness and advocacy campaigns for social causes	15%
Marketing and/or fundraising	11%
Deficit or emergency funds	7%

N=46

Multiple choice question, total does not add up to 100%.

55% of foundations include support for other organizations as part of their philanthropic operations, whether through their grants to third parties or operation of their own programs (under the form of procurement).

The most common method used by foundations to select the beneficiary organizations of financial support is direct selection, and the second most common is receipt of

unsolicited proposals (Table 10). The most formal method, which is an open call to present proposals, is only found in 33% of philanthropic foundations.

TABLE 10. BENEFICIARY ORGANIZATION SELECTION METHOD.

	%
Organization(s) selected directly	63%
Unsolicited proposals from organizations	41%
Open call to present proposals	33%
Invitation to a group of organizations to present proposals	26%
Other	11%

N=46

Multiple choice question, total does not add up to 100%.

The most relevant criteria used by foundations to select beneficiary organizations is the alignment of the beneficiary organization with the work of the foundation (Table 11). To a lesser degree, foundations consider the social results from

previous projects, the ratio between the project cost and its social effectiveness, and the reputation of the organization or its leader.

TABLE 11. CRITERIA FOR THE SELECTION OF PROJECTS FROM BENEFICIARY ORGANIZATIONS

	Overall total
Alignment between the beneficiary organization project and the foundation's own process	87%
Social results reported from previous projects	33%
Ratio between the project cost and its social effectiveness (cost/benefit)	33%
Reputation of the organization or its leader	28%
Relationship or previous knowledge of the organization or its leader	24%
Social innovation of project or organization	22%
Organization's administrative efficiency	15%

*N=46
Multiple choice question, total does not add up to 100%.*

Foundations also provide nonmonetary support to external organizations as a part of their philanthropic operation (Table 12), with the most common being engagement of support networks (65%), followed by mentoring with

foundation staff (54%), and provision of administrative services with foundation staff (20%). To a lesser degree, in-kind donations or infrastructure loans from the foundation (9%) are provided.

TABLE 12. NONMONETARY SUPPORT AREAS

	Overall total
Engagement of support networks	65%
Mentoring with foundation staff	54%
Provision of administrative services with foundation staff	20%
In-kind donations or infrastructure loans from the foundation	9%

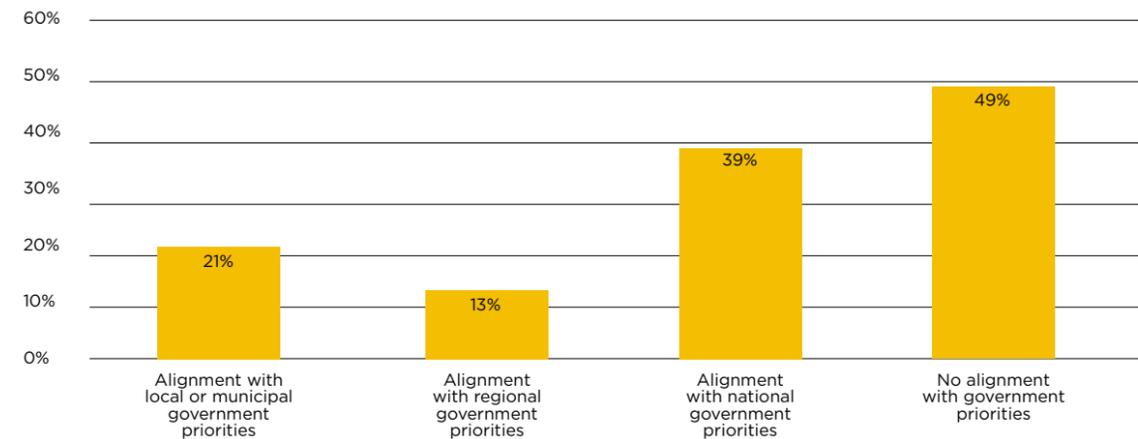
*N=46
Multiple choice question, total does not add up to 100%.*

Alignment with government priorities

Aligning foundation priorities with government priorities is not a relevant factor in half of the foundations surveyed. In fact, 49% of the foundations explicitly declare that their organization does not attempt to align with government priorities (Graph 7). 39% state that they are aligned with government priorities on a national level, and to a lesser degree, some foundations try to align with regional (13%) or local (21%) priorities.

49%
of foundations declare that their organization does not attempt to align with government priorities.

GRAPH 7. ALIGNMENT WITH GOVERNMENT PRIORITIES



*N=84
Multiple choice question, total does not add up to 100%.*

Assessment policies

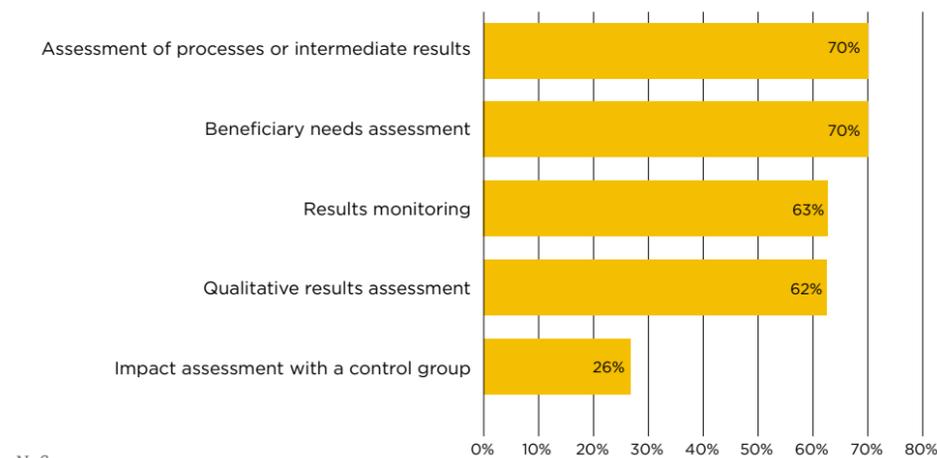
This section analyzes the presence of assessment policies in institutional philanthropy in Chile, considering the type of methodologies used, and the purpose given to the results obtained.

Institutional philanthropy in Chile shows a predominant practice of assessment policies in projects or programs (65%), with a higher proportion in corporate foundations. Assessment processes mainly fall to an organization's internal teams.

The most common type of assessment conducted by foundations (Graph 8) is the assessment of processes and/or intermediate results (70%), as well as beneficiary's needs assessment (70%), followed by results monitoring (63%) and qualitative results assessment (62%). On the other hand, the least common assessment policy is impact assessment with a control group for comparison (26%).

Institutional philanthropy in Chile shows a predominant practice of assessment policies in projects or programs (65%), with a higher proportion in corporate foundations. Assessment processes mainly fall to an organization's internal teams.

GRAPH 8. ASSESSMENT TYPE

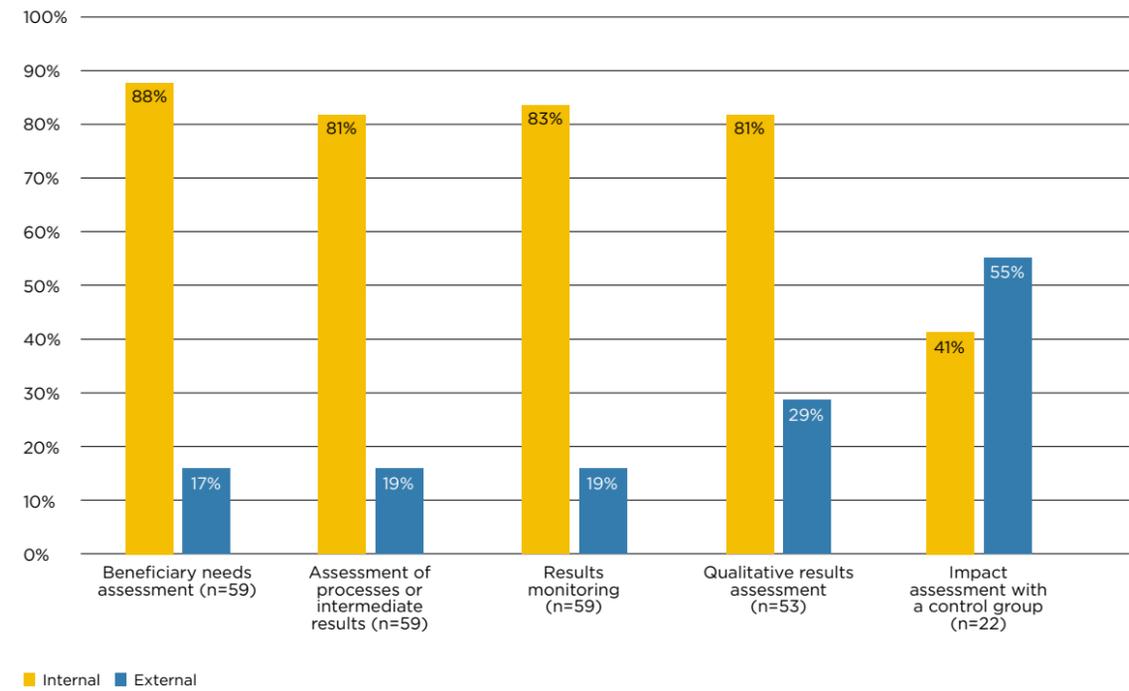


N=84
Multiple choice question, total does not add up to 100%.

As indicated, assessment processes are generally carried out by the foundation's internal team (Graph 9). The exception to this are impact assessments with a control group,

which are usually conducted by expert teams or external consultants hired by the foundations.

GRAPH 9. ASSESSMENT TYPE (BY RESPONSIBLE TEAM)

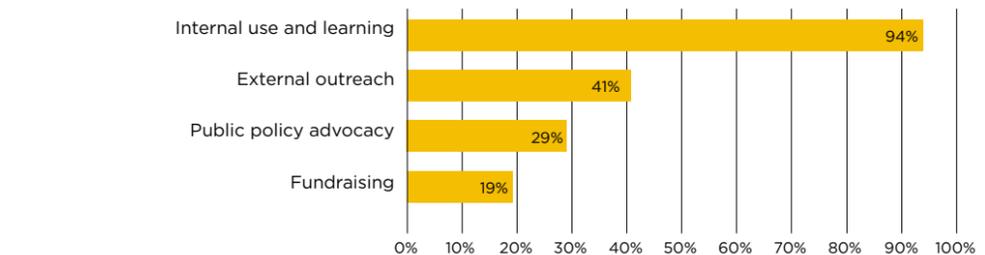


Multiple choice question, total does not add up to 100%.

Assessments are mainly a learning process for foundation. In fact, foundations use the information obtained from assessments first and foremost for internal use and learning (94%), which includes management control mechanisms, decisions on program or grant continuity, etc (Graph 10).

To a lesser degree, this information is used for external outreach (41%), public policy advocacy (29%), and fundraising purposes (19%). Corporate or company-based foundations use the information for external outreach in a higher proportion than the rest of the foundations.

GRAPH 10. USE OF ASSESSMENT INFORMATION



N=84
Multiple choice question, total does not add up to 100%.

CORPORATE GOVERNANCE AND EMPLOYMENT

Governing board

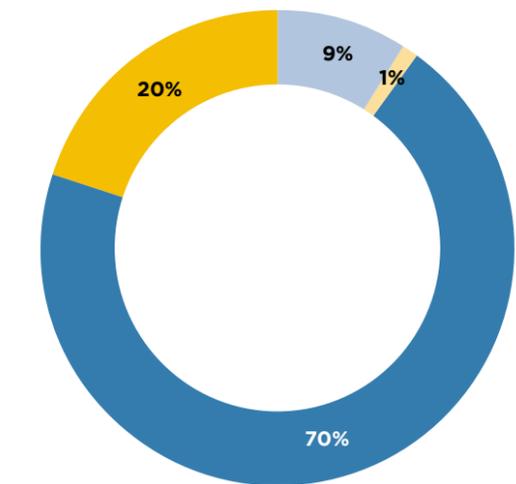
Institutional philanthropy in Chile has a formal governance and decision-making system. 94% of foundations have a governing board and in 67% of foundations, the board¹⁸ or council members occupy their position for fixed terms. In the majority (70%) of cases, direct designation is the only means of board selection (Graph 11).

Among foundations that hold an election process to define board members (29%), the vast majority of them (70%) declare that the board members themselves are responsible for the election process.

On average, philanthropic foundation boards or councils in Chile are made up of seven people, of which two are women (Figure 2). In other words, female participation in foundation boards is just under one third. Notwithstanding, 21% of foundations have no women on their boards.

The vast majority (92%) of foundations declare that their board members do not receive any kind of economic compensation for their duties or work.

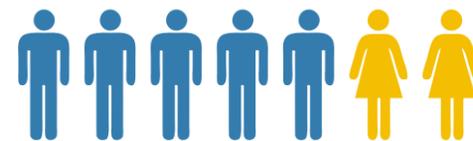
GRAPH 11. BOARD MEMBER SELECTION MECHANISM



N=84

- Designation
- Election
- Both choices
- Doesn't know/doesn't respond

FIGURE 2. BOARD COMPOSITION

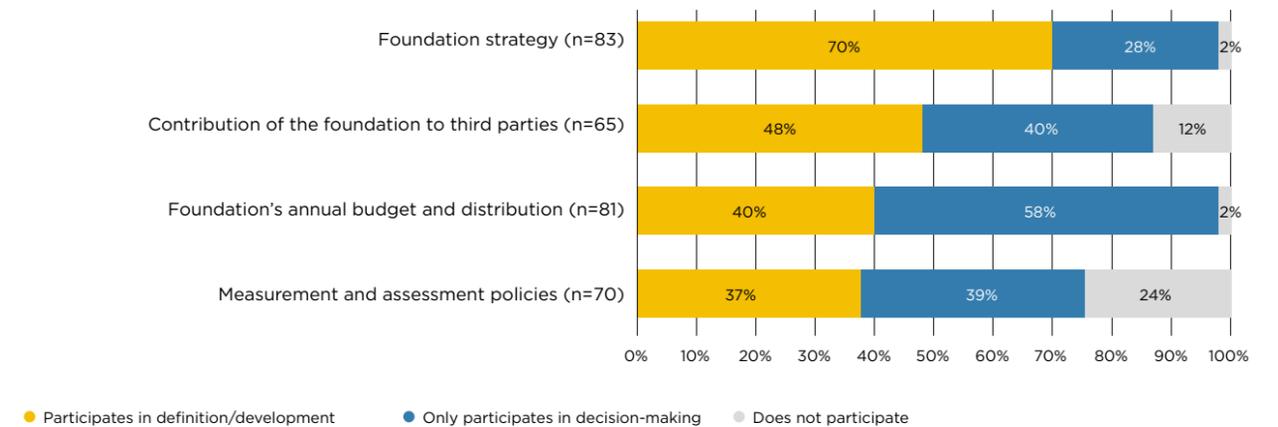


The vast majority of foundations declare that their board members do not receive any kind of economic compensation.

Board participation in a foundation's decision-making processes for different tasks is considerable (Graph 12). The tasks with the greatest involvement in terms of definition, development, and decision-making are the foundation strategy (70%) and the annual budget and its distribution, where the level of nonparticipation is barely 2%.

Participation in contribution to third parties is also considerable, with a total participation of 88%. The definition of measurement and assessment policies is the area with the least board participation, where 24% of foundations register no board participation in this area.

GRAPH 12. LEVEL OF BOARD PARTICIPATION



**N corresponds to the number of foundations that engage in the task.*

A comparison by foundation type shows that corporate foundations have a lower level of board participation than family and independent foundations. Most company-sponsored foundations declare that the board only takes

part in decision-making on the annual budget, contributions to third parties, and assessment policies, but not in their definition or development.

¹⁸ Only five cases declare they do not have a proper board, but they have an administrative council that fulfills the same duties.

Employment

A foundation's type of operation is determinant in defining the amount of staff it employs. In aggregate terms, in 2015 philanthropic foundations employed a total of 1,321 people with full-time contracts, which averages 16 paid staff members per foundation, ranging from 0 to 220 (Table 13). This average varies considerably among different types of operations: while grant-giving foundations generally have no more than two employees, foundations that operate their own programs (including mixed operation foundations), the average increases to 19 paid employees.

Volunteer participation in this sector is low. Average unpaid staff members per foundation is 3 people, with a minimum of 0 and a maximum of 90. While grant-giving foundations do not have this kind of volunteer staff, organizations that operate programs incorporate this kind of staff member into their teams, with an average of 4 unpaid people per foundation.

TABLE 13. FULL-TIME FOUNDATION STAFF, BASED ON OPERATION TYPE

		Grant givers	Own program operators and mixed operators	Total
Total paid staff	Total	28.5	1,292.5	1,321
	Minimum	0	0	0
	Maximum	8	220	220
	Average	2	19	16
Total unpaid staff/volunteer	Minimum	0	0	0
	Maximum	0	90	90
	Average	0	4	3

Philanthropic foundations employed over 1,300 paid full-time staff in 2015, while the total number of volunteers was 243 people.

N=82

Annual Information

In keeping with the legal responsibility to report to the Ministry of Justice, the overwhelming majority of philanthropic foundations prepare annual reports and balance sheets (93%). Additionally, they prepare documents with an expense summary (69%), audited financial statements

(61%), and grant distribution reports (54%). To a lesser extent, foundations also prepare other reports regarding their administration, such as the FECU Social,¹⁹ management reports, budget implementation reports, and impact reports.

¹⁹ FECU Social: An instrument similar to the standard coded statistical reporting file (Ficha Estadística Codificada Uniforme) used by companies to report to the Superintendencia of Securities and Insurance, this instrument is adapted to social organizations and promoted by the Community of Solidary Organizations (Comunidad de Organizaciones Solidarias) as a public reporting instrument.

CHAPTER 3

COMPARATIVE RESULTS BY FOUNDATION TYPE

This section reviews the results differentiated by foundation type (family, corporate, and independent), distinguishing the characteristics of each type of foundation in different aspects.²⁰

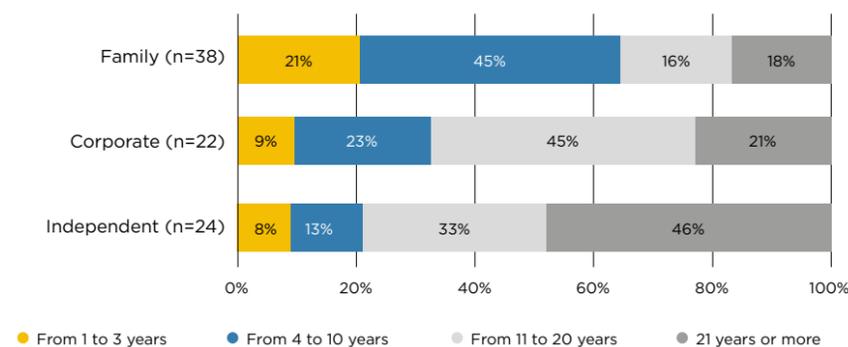
HISTORY, FOCUS, AND BENEFICIARIES

History

In the institutional philanthropy sector in Chile, family foundations are the youngest ones and account for the recent expansion of the sector. In fact, over 60% of family foundations are less than 10 years old and 21% were founded less than 3 years ago. In turn,

independent foundations tend to be older, with 79% founded more than 10 years ago (Graph 13). Corporate foundations also represent a relatively mature sector, with 68% founded more than 10 years ago.

GRAPH 13. FOUNDATION AGE PER TYPE



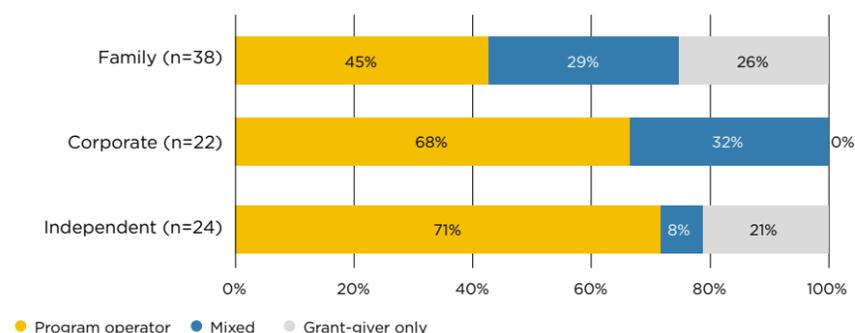
²⁰ The specific results per foundation type (family, corporate, and independent) are available in the Spanish pdf version that can be downloaded on the websites: <http://cefis.uai.cl> or in <http://cefis.uai.cl/mapeofilantropia>

Type of operation

The study distinguishes the way foundations operate between those whose operation is exclusively focused on grant-giving to third parties (beneficiaries/grantees), those that operate their own programs, and mixed foundations that combine both strategies in their operations. Family foundations present the highest proportion of grant-giving organizations (26%), followed by independent foundations (21%), while exclusive grant-givers do not exist in corporate foundations.

In fact, in the corporate foundation subgroup, all foundations operate their own programs, while 32% also incorporate grant-giving to third parties (under the category of mixed operations). Independent foundations have a smaller ratio of mixed operations, and is the subgroup with the highest percentage of foundations that exclusively operate their own programs (Graph 14).

GRAPH 14. TYPE OF OPERATION PER FOUNDATION TYPE



Social investment focus

Although education is a relevant focus for all types of foundations, this issue takes greatest priority among family foundations. Corporate foundations prioritize welfare and social development—which includes poverty alleviation,

social entrepreneurship, and community development—while independent foundations place equal priority on education and environmental conservation (Table 14).

TABLE 14. PRIORITY SOCIAL ISSUE OR FOCUS BASED ON FOUNDATION TYPE

	Family (n=38)	Corporate (n=22)	Independent (n=24)	Total (n=84)
Education	47%	32%	25%	37%
Welfare and social development	3%	36%	17%	15%
Environmental conservation	11%	5%	25%	13%
Arts, culture, and heritage	13%	9%	17%	13%
Childhood, youth and/or senior citizen care	13%	5%	8%	10%
Health, sports, and healthy lifestyle	5%	9%	4%	6%
Science, technology, and research	8%	5%	4%	6%
Total	100%	100%	100%	100%

Beneficiaries and geographic presence

The main beneficiaries of all types of foundations are minors between 8 and 18 years, although with varying ratios. Based on foundation type, young people

and adults over 18 years or early childhood and preschool age children occupy second place among main beneficiaries identified by the different foundation types (Table 15).

TABLE 15. MAIN BENEFICIARIES BASED ON FOUNDATION TYPE.*

	Family (n=38)	Corporate (n=22)	Independent (n=24)	Total (n=84)
Children and teens between 8 and 18	34%	41%	29%	35%
Young people and adults over 18 years	16%	14%	21%	17%
Early childhood and preschoolers	21%	18%	4%	15%
Families	3%	0%	13%	5%

*There are other types of beneficiaries with a lower relative weight that are not included in this table.

All foundation types show a high geographical presence of their philanthropic work in the Metropolitan Region, followed by the Valparaíso Region. The difference among

the types of foundations can primarily be seen in their subsequent priority zones for social investment (Table 16).

TABLE 16. % OF FOUNDATIONS THAT OPERATE IN AND ALLOCATE RESOURCES TO CERTAIN CHILEAN REGIONS

	Metropolitan	Valparaíso	Third priority
Family (n=38)	68%	41%	21% (Araucanía)
Corporate (n=22)	41%	14%	27% (Bío Bío)
Independent (n=24)	67%	18%	17% (Coquimbo)
Total foundations (n=84)	61%	30%	17% (Bío Bío)

The following singularities are observed in regards to the geographical presence of foundation work:

- 59% of corporate foundations declare that they align their geographical center with corporate interests, mainly

allocating their resources to communities where the company operates.

- 11% of family foundations and 13% of independent foundations allocate resources to other Latin American countries.

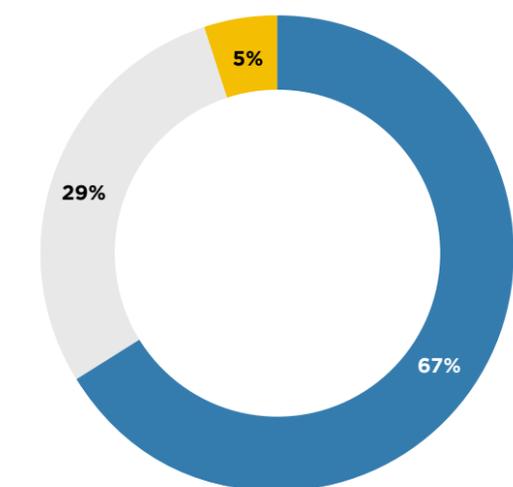
PHILANTHROPIC OPERATIONS AND RESOURCES

Financial resources

As aforementioned, 26% of philanthropic foundations declare to have an endowment, mainly among family foundations. This type of foundation is more likely to have an endowment among its financial resources, with an average of US\$ 10 million (Graph 15).

Predictably, foundations differ in their main source of income, which corresponds to the contribution of a family or an endowment in the case of family foundations, the contribution of a company in the case of corporate foundations, and the combined contribution of corporations, families or individuals and endowments in the case of individual foundations.

GRAPH 15. TOTAL ENDOWMENT FOUNDATIONS



N=21

- Family foundations
- Corporate foundations
- Independent foundations

When comparing financial statements, independent foundations on average show a higher level of assets,

while corporate foundations have higher income and total expenses (Table 17).

TABLE 17. AVERAGE FINANCIAL STATEMENTS PER FOUNDATION TYPE, 2015

	Assets US\$ M (n=59)	Income US\$ M (n=69)	Total expenses US\$ M (n=66)
Family (n=38)	7,860	1,327	1,839
Corporate (n=22)	7,592	2,553	2,329
Independent (n=24)	18,128	1,149	889

Social spending, grants, and own programs

In social spending—which considers financial investment made by foundations (through their own programs and/or through grants or donations to third parties)—significant differences can be found between the different kinds of foundations, especially by social issues.

Thus, while family and independent foundations allocate most part of their total social spending to education, followed by arts, culture, and heritage, corporate foundations tend to allocate most of their resources almost equally between education; science, technology, and research; and welfare and social development (Table 18).

TABLE 18. MAIN SOCIAL ISSUE OR FOCUS BASED ON FOUNDATION TYPE

	Family US\$ M (n=38)	Corporate US\$ M (n=22)	Independent US\$ M (n=24)	Total US\$ M (n=84)
Education	10,138	8,930	3,949	23,018
Arts, culture, and heritage	9,869	896	3,279	13,865
Welfare and social development	1,707	8,871	2,603	12,941
Science, technology, and research	2,199	8,977	154	11,331
Health, sports, and healthy lifestyle	6,725	1,718	35	8,479
Childhood and youth care	2,545	2,088	2,603	7,236
Environmental conservation	1,664	1,827	723	4,215
Public and global affairs	1,968	360	323	2,652
Total	36,635	33,667	13,431	83,737

TABLE 19. TYPES OF PROGRAMS OPERATED BY FOUNDATIONS

	Family (n=38)	Corporate (n=22)	Independent (n=24)	Total (n=84)
Educational programs in different areas	71%	55%	63%	64%
Administration or institutional capacity-building programs for educational establishments	61%	55%	42%	54%
Research or knowledge management	25%	27%	68%	38%
Training programs for local community leaders	25%	23%	32%	26%
Environmental conservation programs and administration	25%	9%	37%	23%
Training and networking for entrepreneurs or micro entrepreneurs	7%	36%	16%	19%
Capacity-building programs for social organizations	4%	27%	26%	17%
Heritage conservation or reconstruction programs	11%	9%	32%	13%
Sports programs	7%	14%	16%	11%
Health programs	7%	18%	11%	11%
Management of cultural programs and institutes	11%	9%	11%	10%

Alignment with government priorities

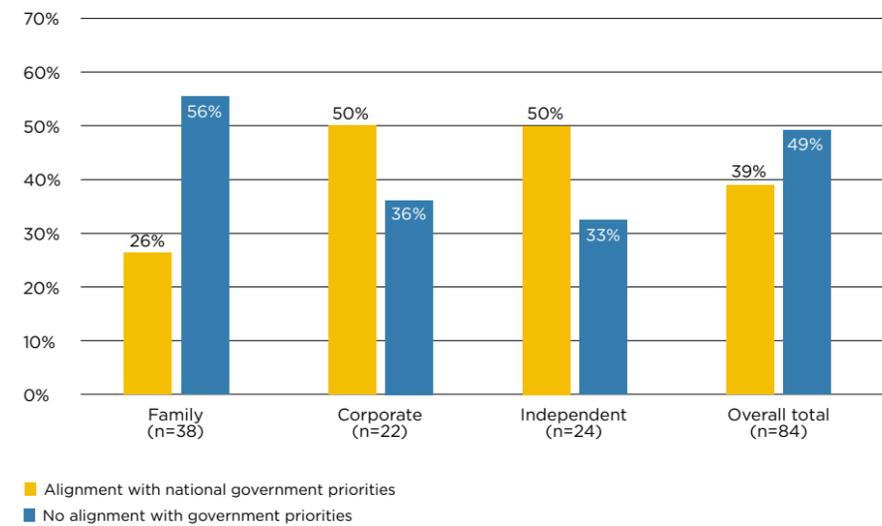
There are relevant differences between the types of foundations and their alignment with government priorities. Family foundations are the least likely to align their work with government priorities (only 26% align with national government priorities), stating among their reasons that their work is independent and complementary to government presence.

Corporate foundations, by contrast, are more likely to align with government priorities on a national (50%) and local (41%) level as a part of the foundation’s strategy, seeking the creation of synergies and legitimacy of their social intervention.

Half of independent foundations also declare that they align with national government priorities in an effort to influence public policy.

While family foundations are less likely to align their work with government priorities, Corporate foundations are more likely to align with national and local priorities.

GRAPH 16. ALIGNMENT WITH GOVERNMENT PRIORITIES



ASSESSMENT POLICIES

Although a majority of foundations declare to have assessment policies (64%), the types of policies and responsible teams vary according to foundation type.

Corporate foundations use external teams for results monitoring (25%), qualitative results assessment (37%), and

impact assessment with a control group (60%). Meanwhile, family foundations tend to externalize beneficiary needs assessment (23%) and the assessment of processes and/or intermediate results (23%) to a greater extent. In both family and independent foundations, 50% turn to external teams for impact assessment with a control group.

CORPORATE GOVERNANCE AND EMPLOYMENT

Governing board

As aforementioned, on average, 29% of board members of philanthropic foundations are female. Notwithstanding, the percentage of female participation in family foundations is notably higher, at 39%, versus 26% in independent foundations and 17% in corporate foundations.

Independent foundations have a higher percentage of cases that use election mechanisms for the designation of its members (43%) that their counterparts, where direct designation predominates in corporate and family foundations, with 82% and 89%, respectively .

Nonetheless, a high percentage of foundations involve board participation in decision-making or in the definition and development of different management areas. Among this high standard of active participation, 100% of family foundations declare board involvement in the foundation strategy and annual budget and its distribution.

Employment

Family foundations concentrate 44% of all full-time staff hired by philanthropic foundations. However, corporate foundations on average have a higher number of paid staff (24.7). Family foundations have the highest average number of volunteers (4.2), higher than the overall foundation average (3) (Table 20).

TABLE 20. FULL-TIME FOUNDATION STAFF

	Average paid staff	Average volunteer staff (unpaid)
Family	15	4.2
Corporate	24.7	0.4
Independent	9.4	3.3
All foundations	16	3

CHAPTER

4

CHAPTER 4

**CONCLUSIONS
AND CHALLENGES**

As part of the CEFIS UAI Philanthropy and Social Investment Mapping, the Institutional Philanthropy Study is a pioneering research effort in Chile, the first of its kind to characterize philanthropy channeled through an organization, with its own structure, governance, and resources.

To characterize institutional philanthropy, the study focused on legally established, operational philanthropic foundations in Chile with stable or permanent financing—where 50% or more comes from a private source— and their own board or governance. This research considered non-shareholder entities that distribute resources for educational, cultural, environmental, social or other public benefit purposes, either by providing support to other public benefit entities (such as charities, associations, educational institutions) and/or individuals; and/or operating their own programs.

The study gathered data about this type of organization: its type of operation, organizational focus, beneficiaries, financial resources, assessment policies, corporate governance, and employment, providing a detailed overview of the current characteristics of this sector. This research offers an initial overview that sizes this type of

philanthropy's involvement and a review of its role in the contribution to social welfare.

The literature indicates that philanthropy holds a collaborative role in the development and strengthening of civil society (Irrázaval and Guzmán, 2008, p.331), and notes that its strength lies in assuming a qualitative role in promoting social change as a catalyst, energizer and builder of models (Coatsworth, 2008, pp.10-11). This means assuming the dissemination and innovation of scalable social initiatives, improving efficiency and productivity in existing social programs, and/or covering social needs that the government, in its role of meeting the needs of the population equally, does not tend to.

The conclusions of this study seek to identify the strengths seen in the sector and reflect on the potential role of institutional philanthropy in effectively contribute to social welfare in Chile.

A GROWING SECTOR

The first strength identified in current institutional philanthropy in Chile is that it is a longstanding sector but has also been highly dynamic over the past decade. In fact, while 56% of foundations have over 11 years of experience, 44% are relatively new organizations.

In Chile, the recent growth of the sector is mainly explained by the surge in family foundations, whereas in countries like Colombia, Mexico, and Brazil, the growth in philanthropic foundations comes from corporate foundations (Villar, 2015, p.73). Family foundations tend to be attributed with a more altruistic vision than corporate ones. Although corporate foundations focus on social investment, this be aligned with the company's value creation strategy, and ultimately respond to shareholders.

Institutional philanthropy has been longstanding in Chile, but has been highly dynamic over the past ten years.

THE SOCIAL INVESTMENT CONTRIBUTION

For the first time, this study identifies the contribution of institutional philanthropy in monetary terms reflected in social spending, i.e., the amount foundations allocate in grants to third parties or development of programs with social purposes. Although this number does not indicate the impact on beneficiaries in terms of social or environmental change, it provides objective data regarding the economic contribution of this sector.

The survey estimates that social spending from philanthropic foundations is around US\$ 83 million, which represents 0.03% of Chilean GDP in 2015 (Table 21). This data raises the percentage of total charitable giving from the 0.1% of GDP estimated from donations registered in the Internal Tax Service using tax incentive legislations.²¹

Despite the significance of this contribution, in comparative terms, the institutional philanthropy share to the GDP is substantially lower than social spending of the sector in other countries that have more information available. In the United States, one of the countries that leads philanthropic development, social spending from foundations is calculated to be US\$ 52 billion for 2014 (Foundation Center, 2014). This represents a percentage of the 2014 GDP (0.35%) that is ten times higher than the Chilean percentage. In Brazil, a relevant regional example, the percentage in 2014 was 66% higher than Chile, reaching 0.05% (GIFE Census, 2014).

The comparative data shows that, given the growth of the GDP in the last decades, Chile has a wide margin for its development regarding social investments provided by philanthropic foundations. An increase in this investment amount would leverage the creation of structures for channeling private giving and maximize efficiency and economies of scale.

TABLE 21. SOCIAL SPENDING PERCENTAGE OF GDP IN BRAZIL, CHILE, AND THE US

	GD (US\$ MM)	Foundation social spending (US\$ MM)	%
Brazil	2,412,230	1,300	0.05%
Chile	240,796	83	0.03%
United States	16,177,455	52,000	0.35%

Source: World Bank 2014 and 2015, Foundation Center, GIFE Census 2014, and CEFIS UAI 2015.

Institutional philanthropy's contribution to social investment in Chile in 2015 is US\$ 83 million, which represents 0.03 of the GDP. From a comparative perspective, there is a wide margin for growth in investment amounts, which would leverage the creation of structures for channeling private giving and maximize efficiency and economies of scale.

PRESENCE IN THE MOST POPULATED REGIONS

The study shows a sector that is present throughout the country, but with a greater emphasis in highly populated areas. As aforementioned, a high percentage of foundations invest in the Metropolitan Region (61%), followed by the Valparaiso Region (30%), confirming that the regions with the largest populations attract a greater presence of foundations.

However, when analyzing economic development data by geographical distribution, institutional philanthropy has a limited presence in areas with a lower prosperity index (Table 22). For example, only 5% of foundations specifically allocate resources to one of the regions with the lowest GDP per capita (Arica with US\$ 5,708).²² Similarly, no more than 17% of foundations assign resources to regions

below the median in terms of regional GDP per capita (Araucanía, Maule, Los Ríos, Bío Bío, Los Lagos and Coquimbo). On the other hand, almost two thirds of foundations allocate resources to the Metropolitan region, which has the third highest regional GDP per capita (US\$ 13,975).

Geographical areas that fall behind the country's overall development represent an opportunity for growth in the institutional philanthropy sector. Certain conditions will need to be met if foundations are to increase their contributions and mobilize private philanthropic investment towards areas with greater vulnerability indexes.

²¹ This study was not able to precisely identify how much social spending from philanthropic foundations is covered by donation laws. However, considering the large percentage of foundations that operate their own programs or that donate to third parties through individual scholarships, we can assume that a large part of the US\$ 83 million in the foundations' social spending (present study) is in addition to the US\$ 250 million registered by the Internal Tax Services as social donations in 2015 (see Irrarázaval, CPPUC, 2017).

²² Estimate made from 2015 GDP data taken from the Central Bank and from 2015 projections taken from vital and demographic statistics from the Institute of National Statistics. Conversion 1 USD = 703 CLP as of December 2015.

TABLE 22. REGIONAL PER CAPITA GDP, REGIONAL POPULATION, AND PERCENTAGE OF FOUNDATIONS THAT ALLOCATE RESOURCES BASED ON AMOUNT OF PEOPLE PER REGION

	2015 PER CAPITA GDP USD	POPULATION	% of foundations that allocate resources per region
XV Arica	5,708	239,126	5%
I Tarapacá	14,161	336,769	2%
II Antofagasta	31,353	622,640	12%
III Atacama	12,794	312,486	11%
IV Coquimbo	7,727	771,085	12%
V Valparaíso	9,743	1,825,757	30%
MR	13,975	7,314,176	61%
VI O'Higgins	10,208	918,751	7%
VII Maule	6,347	1,042,989	13%
VIII Bio Bio	7,302	2,114,286	17%
IX Araucanía	4,972	989,798	15%
XIV Los Ríos	6,715	404,432	12%
X Los Lagos	7,686	841,123	12%
XI Aisén	10,940	108,328	7%
XII Magallanes	10,756	164,661	8%

Multiple choice question, total does not add up to 100%.

Source: Prepared by authors based on data from the Central Bank, Institute of National Statistics, and this study.

Institutional philanthropy has a presence throughout the country, with a strong emphasis in the most populated regions. Certain conditions will need to be met if foundations are to mobilize private philanthropic investment towards areas with greater vulnerability indexes.

CONTRIBUTIONS TO EDUCATION, HEALTH, AND OTHER AREAS

Institutional philanthropy in Chile makes a significant contribution to education, which is the area that attracts the highest amounts of social investments (US\$ 23 million in 2015). This priority is shared among the Latin American philanthropic sector: in Argentina, Brazil, Colombia, and Mexico, education is the primary focus on the private investment agenda (Villar, 2015, p.73).

The foundations' distribution of resources to education in Chile is mostly concentrated on elementary and middle school education (42%) and high school education (31%), and to a lesser extent university education (11%). Early childhood only encompasses 16% of these resources (including preschool education and other types of early childhood care). This percentage is low considering the OECD has indicated the need to increase spending on preschool education, in light of the fact that enrollment has doubled over the past ten years while spending in the area has remained relatively stable (OECD, 2016, p.301).

The historically high levels of public and private investment in education,²³ combined with the current reform process and increase in public education funding, lead to a new challenge for the philanthropic sector. Specifically, this sector needs to gain a deeper understanding of the value of its historic contribution in this area and define new roles (whether by changing its focus or structuring concatenations between private giving and public investment).²⁴ Undoubtedly, this is a relevant topic for future research on philanthropic development in Chile, especially considering that the literature shows that different types of public funding for social issues can either attract, repel or neutralize philanthropic resources (Sokolowski, 2012).

The flip side of the high concentration of institutional philanthropy in Chile on education is a low presence in human welfare aspects, such as health. According to public opinion polls conducted by CEFIS UAI, in Chile citizens identify health and disability as the first priority for the allocation of private corporate giving.²⁵ However, only 6% of foundations identify these issues as their priority investment area. Therefore, aggregate social spending by philanthropic foundations on this sector is less than one tenth of overall social spending by institutional philanthropy in Chile, whereas in the United States health is a priority area with an annual expense of US\$ 5 billion in donations. Therefore, the next step is to identify the specific obstacles that result in this void, including the lack of tax incentives for direct donations in this area.

There are two areas where philanthropic foundations have been gaining ground in the public agenda: foundations dedicated to arts, culture, and heritage, with an average investment per foundation of US\$ 618 thousand in 2015, and environmental conservation, which also has foundations with a long track record, although it is lower in terms of investment (average investment of US\$ 136 thousand in 2015). Part of the challenges faced by the sector involve exploring mechanisms that promote an increase in investment and the participation of institutional philanthropy in these and other areas.

The philanthropic sector has made an important contribution to education, but it currently faces the challenge of redefining its role in light of the educational reform process. This is coupled by the challenge of increasing its presence in other priority areas for citizens, such as health, a sector with a historically low investment.

²³ Chile spends 6.9% of its GDP on education, a number higher than the 6.1% of GDP spent on average by OECD countries, mostly due to high private funding in tertiary education. See OECD Education Policy Outlook 2015. OECD Publishing.

²⁴ An example of this could be a study on the 30% of philanthropic foundations that identify minors under 8 as their beneficiaries.

²⁵ Public opinion studies from the Center for Philanthropy and Social Investments on Public Perception of Corporate Social Donations (2015) and Public Perception of Social Donations from Corporations (2016) identify that over 55% of citizens indicate that health and disability should be the priority in the allocation of social donations from both corporations and business owners.

A SECTOR LOOKING TO MAKE A DIFFERENCE

According to Harvard University, the clear demonstration of philanthropic impact is likely to be the keystone for developing a positive perception around philanthropy's roles in society (HIHU, 2015, p.51). In this respect, it is significant that 65% of philanthropic foundations in Chile incorporate assessment policies in their different projects or programs.

One of the main challenges in making philanthropic contributions is the absence of accountability, since philanthropy does not have systemic internal forces that motivate their ongoing progress (Tierney and Fleishman, 2011, p.5). This draws importance to the use that foundations say they give to their assessment processes: internal use and learning (94%), which show an awareness of the need for ongoing improvement.

Of all foundations that incorporate assessment policies into their projects or programs, 40% declare having used impact measurement with a control group in the last five years. This effort is especially significant when compared with the public sector: of all programs that the Ministry of Finance Budget Department assessed between 2011 and 2016, only 23% used impact assessments.²⁶

Notwithstanding, a comparison of institutional philanthropy social spending with public investment capacity in similar areas²⁷ shows that the role of social and effective innovation seems more appropriate for philanthropic foundations than measuring results based on the amount of people served. If one of the relevant roles that institutional philanthropy can accomplish is contributing to innovation in social intervention models that can be scaled to public policy, it is particularly important to strengthen results monitoring and provide scientific impact measurement. This will also enable replicability of programs that show evidence-based effectiveness. However, considering that just 39% of the foundations declare to align with national government priorities there is the need for a deeper look at the vision that motivates foundations to contribute to social development.

Foundations make a significant effort to incorporate studies and evidence regarding the philanthropic impact they achieve with their investments, the keystone to developing a positive perception of philanthropy's role in society, according to Harvard University.

²⁶ Source: Budget Department. Ministry of Finance.

²⁷ For example, according to the 2015 Budget Law, investment in culture was US\$ 213,7 million (considers the sum of budgets allocated to CNCA, Fondo de las Artes y Cultura, DIBAM, CMN, and Red de Bibliotecas Públicas). For the same year, this study identifies that aggregate spending by philanthropic foundations on the areas of art, culture, and heritage was US\$ 13,8 million. Although it is the area with the second highest social spending among foundations, investment in the area is only 6% of public spending in this area.

HIGH PRESENCE OF OPERATING ORGANIZATIONS

Institutional philanthropy in Chile is mostly conducted through the operation of a foundation's own programs, considering that strictly grant-giving foundations make up less than one fifth of all foundations surveyed. This situation is totally different than the US context, where 91% of philanthropy comes from family or individual financing foundations, (equivalent to 78,582 organizations) that operate exclusively through grant-making to individuals or institutions (Foundation Center, 2014). In fact, whereas in Chile 8% of all donations come from institutional philanthropy (US\$ 20 million out of US\$ 250 million total donations registered by the Internal Tax Service in 2015), in the United States 16% of all donations come from foundations (US\$ 46 billion out of US\$ 310 billion).²⁸ It is hard to imagine that the Chilean system could assimilate to the US context, especially when considering that our reality is shared by philanthropic foundations throughout Latin America. Studies show that under the vision of business owners, there is a critical view regarding the level of professional practices of nonprofit organizations (Aninat, 2016, p.98). Added to a lack of transparency, combined with a general distrust of unknown institutions, these are some of the reasons why philanthropic institutions in Latin America generally operate their own programs (HIHU and UBS 2015, p.53).

It is important to reflect on the consequences that a sector that is excessively concentrated on its own operations has on the strengthening and independence of civil society

organizations. Thus, the absence of private funding sources could lead to a growing share held by the public sector as majority financier that defines (or changes) the terms of reference in the provision of subsidies or the procurement of services (providers) in four-year government increments that do not facilitate a long-term vision. Also, the operation of a foundation's own programs requires greater structures in terms of human resources, a learning curve regarding the development of intervention programs, and a greater expenditure on management, all of which has an opportunity cost when compared to the possibility of having an assessment system of social giving to third parties, which can have a similar effectiveness when the focus is on a specific social change.

If the goal of philanthropic foundations is to contribute to overcoming complex social challenges, this requires a greater analysis of what kind of structure (donor, mixed, or operator) promotes cooperation and the concatenations that increase social impact.

The high percentage of foundations that operate their own programs in Chile is a reality that is shared with the rest of Latin America's philanthropic environment.

²⁸ Data from Foundation Center for 2014. It excludes US\$ 6 billion identified as "operating foundation" expenses.

WELL-MANAGED ORGANIZATIONS

Corporate governance and employment data presented in this study show high management standards in institutional philanthropy in Chile. The significant contribution of board members, even though they work *ad honorem*,²⁹ shows high indicators of involvement in different aspects of the foundations: in the definition of the foundation's strategy (98%), the decision in the contributions to third parties (88%), in the definition of the annual budget and its distribution (98%), and in the measurement and assessment policies (76%), on either a decision-making or development level.

On average, philanthropic foundation boards or councils in Chile are made up of seven people, mostly for fixed terms, of which two are women. Namely, of total foundation directors, 29% are women. Although this number is far from attaining equitable gender participation, it is much more significant than the 6% female participation in the corporate governance of companies listed on the stock exchange.³⁰

Philanthropic foundations also have stable and paid staff, whose numbers vary according to the type of foundations, from two people on average in grant-giving organizations, to 19 full-time paid employees among those that operate their own programs (including mixed operation foundations). The challenge lies in developing strategies to incorporate professional volunteers in these organizations, which not only helps to build capacity, but also fulfilling the role of mobilizing those who seek to contribute to social development with non-financial resources, such as time or knowledge.

Philanthropic foundations show high board involvement despite being unpaid positions.

Female presence in foundation boards reaches 29%, a number significantly higher than the 6% of women participating in corporate governance of publicly listed companies.

THE CHALLENGE OF TRANSPARENCY

Regarding accountability and public access to information, this study gathers data on the kinds of information that foundations annually prepare about their management, mostly annual reports and balance sheets, expense summaries, financial statements, among others. However, in order to verify public access to this kind of information, the research team at CEFIS UAI conducted an exhaustive review of the information that foundations publish on their institutional websites. Only 29% of philanthropic foundations have published their financial statements and/or social spending in some form. These levels of transparency are higher in corporate foundations, and much lower in independent and family foundations. Furthermore, 17% of philanthropic foundations do not even have a current institutional website.

In sum, foundations face a significant challenge in terms of transparency and public access to information, an element that plays an important role in strengthening their credibility and understanding the role of institutional philanthropy. The high participation rates achieved in this current study is an indicator of an openness to transparency and communication, factors that lead to collaborative work opportunities, so necessary in creating philanthropic initiatives that have a greater influence in addressing complex social challenges.

There is a growing openness among foundations to increase transparency and public access to information, an area that needs to be strengthened considering the influence of this practice on credibility and trust in terms of private giving to social welfare.

²⁹ Board members must hold their position free of charge, in keeping with the general nonprofit principle (art. 551-1, subparagraph 1°, Civil Code). The reform of Law 20.500 introduces precisions and even a certain degree of flexibility in the gratuity standard in specific cases (Soto and Riveros, 2016, pp.32-32).

³⁰ Source: Comunidad Mujer. www.comunidadmujer.cl

THE IMPORTANCE OF SECTOR KNOWLEDGE

The Institutional Philanthropy Study is a collaborative effort between the Center for Philanthropy and Social Investments of Universidad Adolfo Ibáñez's School of Government and researchers from the Hauser Institute for Civil Society from Harvard Kennedy School, and includes the contribution of over 20 countries involved in the Global Philanthropy Report. This study contributes to a characterization of institutional philanthropy while providing a structural and operating definition about this type of philanthropic channel. It is a substantial contribution to the research field, allowing the comparability of these results with those from other countries. Although it is an initial approach to this sector on a local level, the study lays the foundation for future research in a field of study that has thus far been underexplored.

The main limitation faced by the development of this study is the lack of a registration that clearly defines its universe and the absence of systematized and publicly accessible data on the sector. This limitation underscores one of the main challenges of the philanthropic sector in general, and especially that of institutional philanthropy: having reliable data for analysis and knowledge management. The limitations in systematized information of private giving and philanthropic organizations prevent the estimation of performance and impact of tax incentives (Irrarrázaval and Guzmán, 2000, p.239) but also of philanthropic contributions as a whole. Addressing this task is a necessary step when seeking to develop an ecosystem—in terms of legalities and social trust—that allows the development of a philanthropic culture in the country. Data can provide thorough knowledge of the contribution of private giving to social development, identifying areas for improvement or obstacles to its growth, thereby advancing towards the creation of social trust.

This study contributes to the knowledge of institutional philanthropy. Access to reliable data, research and analysis of private giving to social development will enable trust to flourish and will create a favorable ecosystem for strengthening philanthropic culture in Chile.

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