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Handbook on Corporate Foundation

Corporate and Civil Society Perspectives

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Chapter 9
Corporate Foundations in Latin America

Marta Rey-Garcia, Michael D. Layton, and Javier Martin-Cavanna

Abstract This chapter provides an overview of the evolution, context, current characteristics, and future perspectives of corporate foundations in Latin America (Central and South America). The number of corporate foundations has grown considerably during the last three decades, against a backdrop of historical prevalence of informal expressions of generosity under the clout of Catholic charity and State paternalism and of a mostly unfavorable legal and fiscal framework for philanthropy. This growth has run in tandem with the advances of CSR and civil society in the region under the forces of democratization and economic liberalization, and with the encouragement of foreign donors, particularly from the USA. Due to a scarcity of data and the lack of a single legal or fiscal definition for corporate foundations, we first offer a definition reflective of regional traits and then approach corporate foundations through three case studies of Brazil, Mexico, and Colombia – the region's most populated countries – constructed from multiple sources, including our own database of 262 corporate foundations. We identify six regional commonalities and also important variations between countries, including Brazil leading in terms of sector institutionalization, Mexico staying in close proximity to the US grantmaking model, and an idiosyncratic Colombian pattern of involvement in community development. We close the chapter with practical and research implications.

Keywords Corporate foundations · Latin America · Corporate social responsibility · Quantitative research · Desk research · Institutional environment

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9.1 Introduction

The number of corporate foundations has considerably grown in Latin America (Central and South America) during the last three decades, parallel to the growth of direct social investment programs of companies and in the context of the overall advance of corporate social responsibility (CSR) in the region (Villar 2015). The goal of this chapter is to provide an overview of the evolution, context, current characteristics, and future perspectives of corporate foundations in Latin America. If research on institutional philanthropy in the region is in its very infancy, research on corporate foundations is almost nonexistent, with two landmark studies that approach them in the broader context of philanthropy (Sanborn and Portocarrero 2006) and private social investment (Villar 2015). Most countries in the region lack an updated census of the population of foundations including financial data, and only a few disaggregate corporate ones. A relevant source for identifying the main corporate foundations consists of publicly available directories of members of the associations and networks of philanthropic and private social investment organizations. Though none of them gathers exclusively corporate foundations, some of these infrastructures – notably Mexico's CEMEFI as the oldest and largest one – are leading the process of institutionalization of corporate philanthropy in the region (see Table 9.1). Regarding the best estimates of the volume of their assets and expenditures, they come from voluntary registries and surveys, which are by nature limited in scope by the willingness of the institutions to participate. One exception is Mexico, whose tax law requires all tax-exempt organizations to place detailed financial data (such as income, assets, and most importantly grants made) on a

Table 9.1 Main civil society infrastructures leading institutionalization of corporate foundations in the region (author's elaboration)

Country	Infrastructure	Founded	Membership
Brazil	GIFE Grupo de Institutos Fundaçãos e Empresas / Group of Institutes, Foundations, and Corporations	1995	125 members including corporate foundations (53%), firms (18%), family foundations (17%), and independent or community foundations (12%) (Velasco et al. 2015)
Mexico	CEMEFI Centro Mexicano para la Filantropía / Mexican Center for Philanthropy	1988	341 members including associations, foundations, companies, and individuals as of February 2017 (Cemefi n.d.)
Colombia	AFE Asociación de Fundaciones Empresariales / Association of Corporate Foundations	2008	71 corporate and family foundations as of February 2017 (AFE n.d.)
Argentina	GDFE Grupo de Fundaciones y Empresas / Group of Foundations and Corporations	1995	24 corporate and independent foundations and 14 corporations as of February 2017 (GDFE n.d.)

public transparency website (Layton 2016): this transparency provision has made it possible to identify grantmaking foundations in this country.

With these limitations in mind, we have approached the challenge of mapping corporate foundations in Latin America through three case studies of Brazil, Mexico, and Colombia. Criteria for selecting these countries are twofold. First, they are the three largest countries in the region in terms of population. Secondly, these countries offer the most thorough data on corporate foundations, as some exploratory studies and partial census have been recently undertaken, though of limited comparability (Velasco et al. 2015 for Brazil – the GIFE Census; Layton 2013; Villar et al. 2014, 2017 for México; Fundacion Promigas and DIS 2012 for Colombia). The case of Argentina, the fourth most populated country in the region, remains unexplored. Although corporate foundations are estimated to account for 75% of all foundations in this country, available studies do not classify corporate foundations separately (Villar 2015). Due to severe data scarcity, we have combined the aforementioned studies with multiple sources including available scholarly works, but also practitioner reports, that address broader phenomena at a regional level – philanthropy, corporate social responsibility, social investment, and the like – and sometimes include marginal though valuable insights on corporate foundations. In the case of Brazil and Colombia, reference studies have been combined with the elaboration of own databases constructed from GIFE and AFE directories of members and primary data from corporate and foundation websites and available annual reports. However, before empirically mapping corporate foundations in these countries against their historical, social, and legal background, it is imperative to discuss the regional traits that shape the conceptualization of this type of foundation in the following section.

9.2 Conceptualizing Corporate Foundations in the Region

The prevailing approach to explaining cross-country variation of foundations mostly originated from social origins theory. Under this approach, the economic dimensions of public policies and third sectors shape diverse third sector regimes, which in their turn host different foundation models characterized according to the size of foundation populations and their relation with public and third sector policies (Salamon and Anheier 1998; Anheier and Daly 2007). More recently, institutional research's tradition of categorizing and classifying organizational forms has been used to propose an integrative framework of foundation types based on contextual, organizational, and strategic categories (Jung et al. 2018). However, the lack of systematic empirical evidence prevents rigorous application of these theoretical approaches to Latin American foundations.

In the particular case of corporate foundations, conceptual approaches originating from other regional contexts should not be imposed upon an emerging and mutating reality that is deeply embedded in the local context and its unique conditions. The philanthropic engagement of businesses and their owners and managers was pivotal for the recent emergence of family and corporate foundations that were both independent from Catholic charity and the State. However, it has been challenging to impose upon the region what Salamon (2010) terms the "MBA mind-set" (p. 42) typical of corporate philanthropy in the USA. Traditional approaches – reflecting the long-standing influence of paternalistic philanthropic charitable giving or merely focusing on public relations returns – coexist with innovative types of corporate engagement that are shaped by the specific regional context.

Given this combination of lack of evidence with signs of a rapidly transitioning state, and in order to advance comparative research on corporate foundations in Latin America, two pressing needs must be addressed: a consistent conceptualization and the establishment of a standardized set of descriptors to structure data collection efforts. Thus, our first step consists of proposing an operational definition of a corporate foundation for the region, as on the one hand there is no single legal or fiscal definition that applies across the board (Layton 2010), and on the other hand, the legal form of nonprofits may be irrelevant for tax exemption purposes (Nexus et al. 2014).

Furthermore, we argue that the US model that has inspired conceptualization of corporate foundations internationally is of limited application in Latin America. In the US model, the foundation receives its assets and/or annual gifts from its founder, a standalone and generally listed private business corporation – the Chandlerian paradigm of the large-scale, multi-unit, bureaucratically structured, professionally managed, vertically integrated business firm (FC 2012). Moreover, foundations are not allowed to be the main shareholder of businesses since the 1969 Tax Reform, and entrepreneurial families tend to endow their own family foundations independent from the family business, its CSR strategies and its corporate foundation (Rey-Garcia and Puig 2013).

Corporate foundations consistent with this US-inspired model coexist in Latin America with other different typologies. In fact, regional particularities of business ownership have important implications for the nature of corporate foundations. First, a majority of firms in the region are small and medium size, are not listed, and/or are family owned. Family businesses are predominant in Latin America, with a dual effect: Many corporate foundations are connected to family firms, and the boundaries that usually separate corporate and family philanthropy are unclear. Second, business groups – often closely linked to families – are a prevalent ownership structure in the region (Barbero and Dávila 2009). A business group is defined as "legally independent firms, operating in multiple (often unrelated) industries, which are bound together by persistent formal (e.g., equity) and informal (e.g., family) ties" (Khanna and Yafeh 2007: 331). Many corporate foundations are connected to business groups, rather than to stand-alone firms, and receive contributions from several affiliates. Third, state-owned enterprises (SOEs), that is, enterprises where the state has significant control through full, majority, or significant minority ownership, are also relevant regional players. Their share of the revenue of the largest listed companies (Fortune Global 500) in Brazil, Colombia, Mexico, and Venezuela has substantially grown between 2005 and 2014, their prevalence being second to Asia among world regions (PwC 2015). Some large corporate foundations in the region are controlled by SOEs. Fourth and last, foundations that own significantly influencing shareholdings of firms ("controlling foundations") are allowed in some countries. Just to underline these distinct features, recent studies in Brazil, Mexico, and Colombia use the term enterprise foundations (*fundaciones empresariales*) rather than corporate foundations (*fundaciones corporativas*).

Thus, we adopt a definition that is inclusive of these regional traits, as it conceptualizes a corporate foundation as a nonprofit organization (with its own legal personality, under a non-distribution constraint, and with public benefit purposes) that (1) is governed under corporate control (is controlled by one or several corporations, be they private businesses or state-owned enterprises, stand-alone firms, business groups, or associations); and/or (2) obtains the majority of its resources from one or several corporations, be they donations or dividends (Rey-Garcia et al. 2018: 517). This conceptualization is based on organizational governance theory and resource dependency theory and acknowledges three sources of distinctness for a corporate foundation, regardless of who founded it or its legal form: (1) its complex connectedness to the company beyond its dependency on corporate resources, (2) its hybrid business–nonprofit nature, and (3) its instrumental character for the pursuit of public benefit goals by corporations (Rey-Garcia et al. 2018). Thus, a foundation will be corporate if one or several companies are its main resource provider and/or one or several firms are ultimately responsible for its governance, that is, the systems and processes concerned with ensuring its overall direction, control, and accountability (Cornforth 2012).

This conceptualization has implications for the identification of populations to be studied in comparative research. First, corporate foundations would include not only company-established foundations that are created by a decision of its board of directors, or company-sponsored foundations that operate as a pass-through for corporate contributions, but also foundations that were originally established by individual entrepreneurs or entrepreneurial families, and currently obtain the majority of resources from the family firm, and/or are governed under corporate control to the extent that business owners and managers occupy key positions as trustees or directors. In these cases, the interests of the entrepreneurial family and those of the business are difficult to unravel, particularly if the foundation is endowed with shares of the family business. In fact, in Brazil, some corporate foundations act also as a vehicle for family philanthropy, to the extent that "many powerful families [choose] to conduct their philanthropy through their company, instead of structuring a family foundation" (Monteiro et al. 2011: 39). Secondly, controlling or shareholder foundations – those owning part of the shares of a commercial firm in a portion sufficient to grant, directly or indirectly, control or dominant influence over it (Rey-Garcia and Puig 2013) – would be also considered as corporate insofar dividends from the companies they own represent the majority of resources of the foundation. This type of corporate foundation is used as a vehicle to preserve the firm into the future and to transfer its control in a tax-efficient way. Although minority in the region and a rarity in Mexico, it is illustrated by large, relatively old, and highly influential examples in the case of Colombia and Brazil. Thirdly, our definition is inclusive of foundations that are funded and/or controlled by groups of entrepreneurs or groups of enterprises. Fourth and last, our conceptualization is not dependent on country-specific legal forms. In fact, 62% of GIFE members complying with our operational definition are legally incorporated as nonprofit associations, and 38% are incorporated as private foundations – versus 53–47% for family ones (Velasco et al. 2015). The members of these associations (sometimes self-identifying as "corporate NGOs") are most frequently a small number of firms or executives belonging to the same business group or enterprise, who in the end control the resulting corporate foundation and/or provide the majority of its resources.

9.3 Historical, Social, and Legal Context

An examination of the historical, social, and legal context of philanthropy in the region goes a long way in explaining the relatively limited development of corporate foundations (Layton 2010). Beginning in the sixteenth century, the Spanish conquistadors and the Brazilian colonizers brought with them their Catholic faith and the corresponding philanthropic values and practices, which have proven quite durable in fomenting paternalistic and informal expressions of generosity (Sanborn and Portocarrero 2006). With independence in the nineteenth century, many governments took control of charitable activities from the Church as a key aspect of state-building (Thompson and Landim 1998). Through most of the twentieth century, Latin America was characterized by populist or authoritarian regimes. "The state defined itself as the source and arbiter of all social goods," and the development of private philanthropy was inhibited (Thompson and Landim 1998: 364). As that century came to a close, globalization, expressed in the region through the phenomena of democratization and economic liberalization, had a dominating influence. Political reform brought with it the flowering of civil society and economic reforms engendered the creation of great private wealth: these transformations, combined with encouragement from foreign donors, all encouraged greater philanthropy in the region (Sanborn and Portocarrero 2006).

The first modern corporate philanthropy departing from Church or State paternalism originated from the initiatives of large, local, family-controlled business groups, most of which had close connections with American firms and foundations. The Venezuelan Mendoza Group is a case in point. Its founder, Eugenio Mendoza, always acknowledged the influence of North American philanthropy, particularly the Rockefeller Foundation, on his own corporate philanthropy. Starting in the early 1940s, he mobilized the support of other local businessmen for collective CSR initiatives such as the creation of the Dividendo Voluntario para la Comunidad Foundation, an affiliate of United Way International, with around 500 corporate members in the late 1960s (Puig 2016).

At a key historical moment in 1968, the Russell Sage Foundation published *Philanthropic Foundations in Latin America*, the first attempt to catalog these relatively new institutions in 18 Latin American nations (Stromberg 1968). Stromberg ascribes the rise of private foundation to "an awakening on the part of businessmen to the possibilities and advantages which foundations offer" and to the "private sector's growing sense of social responsibility" (p. 5). She could categorize a total of 300 foundations; 225 of them were created to support a "specific purpose" –a particular institution or cause – and 25 were corporate (9–10). The book also includes a brief essay, "Corporate Responsibility in Social Progress," by Ivan Lansberg Henriquez the then president of Dividendo Voluntario Para la Comunidad in Venezuela. Lansberg argues that "corporate leaders have awakened to the challenging fact that social progress in deeply unbalanced societies like ours cannot be considered an affair of government alone." He goes on to argue, "Corporate giving should never be looked on as mere charity. It is a long-range investment," and to predict that one day every company will have a "Department of Social Investment" (Lansberg Henriquez 1968: 183–185).

The data shared in the following section and the case studies show that the flourishing of corporate foundations in the region coincided with the period of intense engagement and investment in philanthropic infrastructures by a bevy of foreign donors, particularly from the USA, including Business for Social Responsibility, Inter-American Foundation, Ford and Kellogg Foundations, Synergos Institute, and Avina, with regional networks such as Forum Empresa and RedEAmerica (Puig 2016). Companies became more socially minded in the context of globalization, which enhanced their visibility and legitimacy to tackle social problems and facilitated the creation of transnational networks that integrated local entrepreneurial families, large multinationals, and civil society organizations (Rey-Garcia and Puig 2013).

Despite increasing CSR and philanthropic initiatives in the region, and growth in the number of corporate foundations, perceptions that corporate philanthropy is self-interested and tax benefit-driven only, and distrust of NGOs remain (Monteiro et al. 2011); so do pressing social problems. Economic growth in the region has been substantial – Brazil, Mexico, Argentina, and Colombia occupy positions 9, 15, 21, and 39, respectively, in World Bank's GDP ranking (2016) – but poverty, marginalization, and inequality persist. Latin America retains the dubious distinction of being the most unequal region in the world (Bárcena Ibarra and Byanyima 2016). In this context, pressures by relevant stakeholders on corporate actors to account for the impact of their philanthropy in truly tackling social problems tend to increase.

Ironically, despite the frequent claim that tax benefits drive corporate philanthropy, the legal and fiscal framework for philanthropy in the region is often unfavorable. In general, the policy context for nonprofit and philanthropic activity is characterized by complexity, and its enforcement is often marked by hostility (Appe and Layton 2016). Tax law, which is the most common manner to regulate and incentivize philanthropy, is quite inconsistent across countries, with many nations offering no incentives, and those who do narrowly selecting the beneficiaries of private generosity (Layton 2010). Endowed foundations are not common, as in most countries there are few incentives for establishing an endowment, and protection of assets is limited (Hauser Institute 2016). Thus, the use of fiscal incentives to encourage philanthropy – a tool of choice around the world – is weak in the region (Nexus et al. 2014). Paradoxically though it may seem, the United Nations' Economic

Commission for Latin America and the Caribbean (ECLAC) describes the region's tax system as poorly designed and riddled with avoidance and evasion (Bárcena Ibarra and Byanyima 2016), meaning that fiscal incentives that do exist are unlikely to have much impact on corporate donors.

To summarize, a strong tradition of religiously motivated charity has influenced Latin American business leaders to be generous, and the influence of globalization politically and economically, combined with international encouragement, has led to an important growth in corporate foundations, as will be described in the following section.

9.4 Characterization of Corporate Foundations in the Region: Available Empirical Data

The universe of corporate foundations in Latin America is unknown, as no publicly available, updated census of (active) corporate foundations, including their main characteristics, is available across the region. Best available data for Brazil come from our own database of 65 corporate foundations, constructed from multiple sources upon the list of GIFE members. Slightly over 50% of a total of 129 GIFE members as of February 2017 comply with our operational definition (GIFE n.d.-a). This database has been combined with data from the latest available GIFE "Census" (GIFE n.d.-b). This publication, which is based on survey responses from its members, started in 2001; was updated in 2004, 2006, 2008, 2010, 2012, and 2015; and turns Brazil into the only country with historical data on foundations. In 2015 GIFE obtained 113 responses out of a total of 125 members, both corporate and independent (Velasco et al. 2015). In the case of Mexico, best available data comes from combining a study based on 64 survey responses from a directory of 131 foundations originating from multiple sources (Villar et al. 2014), with an analysis of all the nation's grantmaking foundations – the predominant type – including 135 corporate ones, based upon information from the tax authority (Villar et al. 2017). In the case of Colombia, best available data come from Fundacion Promigas & Fundacion DIS (2012) survey responses from 129 corporate foundations, in combination with a database of 62 corporate foundations who are AFE members constructed by authors from multiple sources (AFE n.d.). It is reasonable to assume that overall data presented in this chapter encompass a substantial portion of the corporate foundation sector of the three countries, though a bias should be acknowledged in the case of Brazil and Colombia as foundations belonging to collective infrastructures tend to be more professionalized. Key data sources used in our research are summarized in Table 9.2.

It should be noted that available country studies are hardly comparable insofar as they adopt different conceptualizations. In Colombia, the reference study defines corporate foundations as those "created, oriented, controlled, and funded by firms, business groups, groups of entrepreneurs or entrepreneurial families" (Fundación

Table 9.2 Key data sources used to approach corporate foundations (CFs) (author's elaboration)

Country	Secondary sources		Primary sources	
	Study	Sample size	Source	Sample size
Brazil	Velasco et al. (2015) – The GIFE Census	113 corporate and independent foundations that are GIFE members	Own database of CFs that are GIFE members as of February 2017 + multiple sources	65 CFs
Mexico	Villar et al. (2014)	64 CFs		
	Villar et al. (2017)	135 grantmaking CFs identified from the public transparency website		
Colombia	Fundación Promigas and Fundación DIS (2012)	129 CFs	Own database of CFs that are AFE members as of February 2017 + multiple sources	62 CFs

Promigas and Fundación DIS 2012: 17). In Mexico, however, a corporate foundation is restrictively defined as that created by one firm (which would be the case for only 54% of corporate foundations in the Colombian study). Thus, a foundation that is mostly funded and/or controlled by several firms or groups of entrepreneurs is not considered as a corporate foundation, but rather as a community foundation (Villar et al. 2014). In the case of Brazil, corporate "foundations and institutes" are largely defined as "nonprofit organizations created and supported by a firm or its shareholders. They are governed by people connected to the supporting firm" (Velasco et al. 2015: 67). It should be noted that of the 65 GIFE members that are corporate foundations according to our operational definition, 27 are called "fundação empresarial" (corporate foundation), and 38 are branded as "instituto empresarial" (corporate institute). This second brand has gained in relevance since the 1980s, until almost replacing the term "foundation" (27 out of the 32 corporate foundations created after 2011 that are GIFE members are labeled as "institutes"). As "institutes" are not a legal form in Brazil, they are most frequently incorporated as nonprofit associations.

Back to the need for setting a research agenda on corporate foundations in the region, the second research priority – the first was consistent conceptualization – consists of establishing a standardized set of descriptors that structures data gathering efforts, integrates regional traits, and allows for cross-country comparison. Basic descriptor variables proposed by Rey-García and Alvarez (2011) for the first census of the Spanish foundation sector include legal form, age, size, geographic scope, type of founder, area of activity according to the International Classification of Nonprofit Organizations (ICNPO), type of beneficiaries (individuals or organizations), sources of funding, model of activity (grantmaking, operating or service providing, advocacy), assets, revenues, or expenditures. At this point, there is no systematic data gathering on these variables for Latin American foundations, with the notable exception of GIFE's surveys to its members. Furthermore, in the case of corporate foundations, these basic descriptors should be supplemented with additional variables that characterize in further depth the relationship between the corporate foundation and the supporting firm(s) across different dimensions. As an illustration, they may include the following descriptors:

Type of Corporate Funding Annual contributions of the company/dividends, detailing in this case whether the foundation is controlling or non-controlling.

Characteristics of Founder(s) Firm/business group/individual entrepreneur/entrepreneurial family/group of entrepreneurs.

Board Composition Owners of the enterprise/executives of the enterprise/independent.

Features of Supporting Company Listed/privately held; foreign multinational/multilatina/national/regional/local; private family owned/private nonfamily owned/State-owned enterprise; sector or industry where it operates.

Degree of Strategic Alignment Between the Foundation and the Company Areas of activity/geographic scope/type of beneficiaries of the foundation.

Some available evidence allows us to roughly estimate the age and relative size of the corporate foundation sector in the three countries that are the object of our analysis. The sector is predominantly young, particularly in Mexico, where 94% of corporate foundations were created after 1991. In Colombia and Brazil, there is a relatively larger tradition, with 35% and 33% of corporate foundations, respectively, created before 1991 (see Table 9.3). Regarding size in terms of number of organizations, corporate foundations, though latecomers to the philanthropic landscape, have grown in numbers relatively faster and represent a majority share of the overall foundation sector in Brazil and Colombia. In 2011/2012 corporate foundations represented 67% of all foundations in Brazil (down from 82% in 2009/2010), 65% in

Table 9.3 Age (year of creation) of corporate foundations in the region

Brazil	**<1960**	**1961–1970**	**1971–1980**	**1981–1990**	**1991–2000**	**>2000**	**Total**
	5	2	3	11	12	32	**65**
	8%	3%	5%	17%	18%	49%	100%
Mexico	**<1970**		**1971–1990**		**1991–2001**	**2001–2013**	**Total**
	0		8		30	93	**131**
	0%		6%		23%	71%	100%
Colombia	**<1970**		**1971–1980**	**1981–1990**	**1991–2000**	**2001–2011**	**Total**
	13		13	19	36	48	**129**
	10%		10%	15%	28%	37%	100%

Author's elaboration from own database of Brazilian corporate foundations, Fundacion Promigas and Fundacion DIS (2012) and Villar et al. (2014)

Colombia, and 33% in Mexico (Villar 2015: 37). Villar et al. (2017) found that of 336 grantmaking foundations identified in 2013 in Mexico, 135 (40%) were classified as corporate, the single most numerous category, and another 12 (4%) represented associations of businesses.

Regarding size in terms of expenditures, data from tax authorities are only available for Mexico. Of a total of $371 million USD in grantmaking by foundations in 2013, corporate foundations accounted for $132 million USD (36%) and business associations nearly $13 million (3%). Four of the top 10 grantmaking foundations in Mexico, ranked in terms of annual grantmaking, are corporate foundations (Vizcarra, FEMSA, Televisa, and Wal-Mart de México) (Villar et al. 2017). However, in the context of overall corporate philanthropic expenditures, corporate foundations are a minor player. The case of multilatina companies, a major philanthropic actor, is illustrative of the paucity of corporate foundation expenditures in comparison with direct corporate investments. Multilatinas are multinational companies headquartered in Latin America, controlled by shareholders based in the region and maintaining significant operations within it. They have been one of the main drivers for recent economic growth in the region, with 2.1 million employees and approximately $780 billion in annual revenue (2012). A 2012 study estimated their annual direct social investments and philanthropic contributions in a range of $224–569 million, mostly motivated by community relations and provided through cash contributions. 67.3 percent of the contributions of the 100 largest multilatinas in Latin America and the Caribbean focused on education, targeting local schools and NGOs, and teachers and adolescents, with Brazil and Colombia topping the list of beneficiary countries. However, less than one-fifth (18%) of the total cash and in-kind contributions of multilatinas originated from corporate foundations. Instead, the companies invested the bulk of resources from their business budgets (Van Fleet et al. 2012).

9.5 The Case of Brazil: Corporate Social Investing, Collaboration, and Institutionalization

Historically, philanthropy understood as private, lay initiatives for the public good, did not belong to Brazilian corporate culture. The State acted as guardian of the sporadic, unsystematic charitable giving of local entrepreneurs in the social realm, consistent with their broader dependence on State intervention in the economy. It was not until the democratic transition of the 1970s and, particularly, the globalization of the economy in the 1980s that firms started to participate in the social development of the country (De Melo Rico 2004).

The construction of a “third sector” in Brazil started in the early 1990s. The number of foundations tripled between the mid-1990s and 2010. During those early years, aid from the US foundations such as Ford, Kellogg or Mott, or other foreign actors such as Avina – itself a regional player – was key to develop an infrastructure for the emerging voluntary sector, most notably GIFE, which took part in meetings in the American Chamber of Commerce, Instituto Ethos, and IDIS (Monteiro et al. 2011).

GIFE is the only infrastructure for philanthropy in the region publishing economic data of foundations, gathered through a biannual survey since 2001 (Mexico's economic data do not come from CEMEFI but from the public tax agency). Other relevant country infrastructures are Instituto Ethos, founded in 1998 to promote CSR among firms based in Brazil, and IDIS, founded in 1999 to promote private social investment, defined as a voluntary and strategic allocation of private resources – whether financial, monetary, human, technical, or managerial – for public benefit.

Local business actors played a leading role in this process of sectoral construction through GIFE, Ethos, and IDIS, together with the Johns Hopkins Comparative Nonprofit Sector Project – another US import – the World Bank and other multilaterals, and administrative reform promoted by the Federal Government. In this context, corporate philanthropy endorsed a business approach to social problems – progressively consolidating the idea of corporate social investing, the first country trait – and was a driver for the professionalization of nonprofits. The distinct feature of this new institutional space for civic engagement was cross-sector collaboration, rather than opposition to the other two societal sectors – the second country trait (Aguilar Calegare and Silva Junior 2009).

In the absence of a census, the 65 corporate foundations that are GIFE members have been used as a proxy for the current population of corporate foundations in Brazil. The first characteristic of Brazilian corporate foundations is that their missions are very broadly stated, with sustainable development – particularly at a local level in the communities where the enterprises operate – and education, particularly of the youth, being the most prevalent areas of activity. Once again, the ideal US-based definition of a corporate foundation is rarely to be found in Brazil (Schommer and Fischer 1999). For instance, 6% of corporate foundations are related to State-owned enterprises: 2 of the oldest ones originated from SOEs that were then privatized in the 1990s, 1 was created right after the privatization took place, and another one is still controlled by a SOE. Also, 45% of corporate foundations are connected to business groups, with heterogeneous origins and sometimes complex governance structures. Some were founded and/or are funded by all firms affiliated to the business group; others were created and depend on resources provided by the holding company. Another portion was created with specific goals by the founding entrepreneur (e.g., building a hospital for his hometown), but currently channels CSR initiatives of a (sometimes family-held) business group all across the board. In the case of family-held business groups, corporate foundations become another governance organ of the group, together with the boards of directors of the affiliate companies and the family counsel (e.g., Instituto Votorantim).

Regarding the geographic origin of the controlling/founding corporation, two-thirds are Brazilian, with only 29% of corporate foundations originating from foreign enterprises – including 2 from other Latin American countries, 2 from Spain, and 1 from Portugal. Regarding the geographic scope of the controlling/founding corporation, 43% are global multinationals, 26% are multilatinas, and 30% are national in scope. Regarding the sector or industry where the enterprise operates, 52% belong to sectors with large environmental impacts at a local level (e.g., mining, iron and steel, equipment, paper, agriculture, energy, automotive, construction, building materials, real estate), and 25% depend on public regulators and supervisors or public contractors (banking, telecom, and transportation infrastructures).

These features explain the drive for collaboration with local nonprofits and particularly with the government that impregnates the undertakings of corporate foundations in Brazil. Not by chance, 57% of corporate foundations have achieved the governmental declaration as "Organização da Sociedade Civil de Interesse Público" (OSCIP), and 35% have obtained a federal certificate of public utility (Velasco et al. 2015), which allow their private donors to access tax benefits for their giving and/or facilitate partnering with the public sector through agreements, contracts, and public funding.

In fact, there is some controversy regarding the appropriation of the third sector by corporate foundations. On the one hand, their model of activity is mostly operating (Table 9.4), and their actual goals, plan of activities, and expected outcomes are established by the enterprise, inspiring a public discourse of victory and self-accomplishment (Borges et al. 2007). On the other hand, they rarely are fully endowed and therefore tend to have a considerably diversified income structure (Table 9.4). Thus, they compete with their own programs against other third sector organizations for both private resources and public subsidies (Bastos de Paula and Morilha Muritiba 2014).

In any case, and similar to Colombia, Brazil hosts a few relevant examples of fully or substantially endowed corporate foundations, some including controlling shares. In fact, the largest Brazilian foundations in terms of endowment are corporate foundations (formerly) connected to financial enterprises, as can be seen in Table 9.5.

Of the three countries analyzed, Brazil shows the highest degree of institutionalization in terms of scale and scope of professionalization and sectoral debates – the third country trait. During recent years GIFE has been putting a strong focus on

Table 9.4 Model of activity and sources of income of Brazilian corporate foundations

Model of activity	Operating only	45%
	Grantmaking only	7%
	Mixed	48%
Source of income (% over total income)	Contributions from related enterprise(s)	34%
	Investment returns (returns on endowment and other assets)[a]	43%[a]
	Government funding (subsidies and contracts)	10%
	Sales of products or services	7%
	Other private donors	5%
	Other sources	1%

Author's elaboration from Velasco et al. (2015)

[a]If data from one large, fully endowed outlier is excluded, the percentage of total income originating from returns on own assets falls to 17%, and the source consisting of donations from the related enterprise(s) goes up to 51%

Table 9.5 Largest endowed foundations in Brazil

Foundation	Founded	Related enterprise	Endowment estimate in Brazilian Real (R$) in millions
Fundação Bradesco	1956	Banco Bradesco	R$ 34,500
Itaú Social	2000	Itaú Unibanco	R$ 2400
Instituto Unibanco	1982	Itaú Unibanco	R$ 1000
Fundação Maria Cecília Souto Vidigal	1965	Shareholder of former Banco Mercantil de São Paulo, founded by the Vidigal family	R$ 400
Instituto Alana	1994	Shareholder of Itaú Unibanco supported by the income from an endowment fund since 2013	R$ 280
Fundação Banco de Brasil	1986	Banco do Brasil	R$ 137

Author's elaboration from own database and Levisky Negócios e Cultura (2017)

governance and transparency issues, and on overall strategic reflection, coherent with sectoral challenges identified by IDIS in 2011: (1) lack of transparency, monitoring, and performance evaluation; (2) lack of family philanthropy tradition; (3) community leaders' lack of knowledge of the potential of local philanthropy; (4) lack of focus on grantmaking; and (5) lack of commitment of donors with social transformation (Monteiro et al. 2011). In its *Guide of Best Practices for the Governance of Corporate Foundations*, GIFE recommends the existence of a formally constituted board in strategic and monitoring roles, and including independent members. Furthermore, it is endorsing eight strategic agendas among its members around the following themes: (1) alignment between social investment and public policies, (2) alignment between social investment and business, (3) a move toward grantmaking, (4) evaluation, (5) communication, (6) strengthening of civil society organizations, (7) governance and transparency, and (8) social impact businesses (GIFE and IBGC 2014).

However, the 2014 GIFE Census shows corporate foundations lagging behind some of these recommendations. Only 19% of board members are independent vs. 42% in family and 61% in community foundations. While 51% of the resources of corporate foundations are deployed in operating their own programs, only 25% go to grantmaking other nonprofits, and 24% correspond to administrative costs. Concerning the alignment with their supporting firms, it is surprisingly low as reported by foundations: 48% of corporate foundations take into account business activities only occasionally when defining their areas of activity, and 12% never take them into account. Also, 28% take corporate activities into account only occasionally when choosing their target beneficiaries, and 33% never consider them at all. In addition, 42% of corporate foundations rarely have business interests in mind when defining their geographic scope. On the contrary, 80% of corporate foundations perceive they influence the principles and values of their supporting firms, 77% feel they contribute to corporate dialogue with stakeholders, and 63% perceive they influence corporate communication with the public in general. Perceived influence on core business aspects (productive processes, client or supplier procedures), however, is relatively lower (Velasco et al. 2015).

9.6 The Case of Mexico: Local Tradition and International Influence

In 2002 Manuel Arango, one of Mexico's leading philanthropists, noted "a growing awareness of the value of CSR" and "an institutionalization and professionalization of CSR practices and programs," alongside "a long-standing tradition of giving." This "tradition" was being transformed into "programs [that] are being expanded to incorporate a broader definition of social investment that goes beyond checkbook philanthropy" (Arango 2002). First came corporate donations and then came notions of CSR, which is turn helped to spur the creation of corporate foundations.

The emergence of expanded corporate philanthropy has both domestic and international roots. Domestically, "philanthropic activity has emerged as governments become less effective and support of societal needs by churches is not as prevalent as in earlier times" (Viesca-Sada 2004: 13). Internationally, Mexico has a particularly open trade policy and receptivity to foreign investment, epitomized by the North American Free Trade Agreement and the related US–Mexico Income Tax Convention, which has a specific article to encourage cross-border philanthropy (USA–Mexico Foundation 2013: 42). Its proximity to the USA has resulted in a particularly strong influence of US corporate and philanthropic practices.

The bulk of corporate foundations were created after 1991, and 71% were founded after 2001 (see Table 9.3). Perhaps the most remarkable finding is that more than half of all Mexican corporate foundations (56%) were established between 2002 and 2008 (Villar et al. 2014). While the other cases also saw the greatest growth in this sector during the twenty-first century, neither Brazil nor Colombia had a spike in growth like Mexico's. No corporate foundations were identified in Mexico before 1970, and only 6% were established by 1990, in contrast to Brazil where nearly 30% were established by then and Colombia that had 45% established. How can one reconcile Arango's observation that Mexico has a long tradition of giving with these numbers? Early on Mexican philanthropy was not channeled via the institutional form of corporate foundations but through the establishment of private, secular universities (e.g., Tec de Monterrey and the Autonomous Technological Institute of Mexico or ITAM), other types of foundations (e.g., Mexican Rural Development Foundation), and direct donations (Logsdon et al. 2006). Beginning in 1990, many of the same actors who promoted the growth of corporate foundations in Brazil also played an important role in Mexico, collaborating with Arango's own project, the Mexican Center for Philanthropy

Table 9.6 Model of activity of Mexican corporate foundations

Foundation budget (US$)	Grantmaking only (%)	Mixed (%)	Operating only (%)
> $ 235 k	25%	64%	11%
$ 79–235 k	25%	75%	0%
$ 21–78 k	50%	50%	0%
Up to $ 20 k	0%	0%	100%
All levels	28%	61%	11%

Adapted from Villar et al. (2014)

launched in 1988, which in turn created AliaRSE, an alliance to promote CSR via the annual event of the Seal of Business Responsibility, which recognizes the importance of corporate philanthropy as one aspect of CSR (Holz and List 2009).

Two recent publications give a detailed view of corporate foundations in Mexico, one via a survey of 64 foundations (Villar et al. 2014) and the other via an analysis of publicly available tax data on the nonprofit sector, which places corporate philanthropy in a comparative context with other foundations (Villar et al. 2017).

Perhaps the single most important decision for a foundation is whether to make grants, operate programs, or do both. In Mexico, Villar et al. (2014) found that 89% of the corporate foundations make donations, and 72% operate programs; at the next level of detail, 28% only make donations, 11% only operate programs, and the bulk (61%) are hybrids. As shown in Table 9.6, this decision is heavily influenced by the size of the foundation's budget.

When asked how businesses supported their affiliated foundations, foundation representatives responded: 88% provide annual contributions, 83% provide staff support; two-thirds offer in-kind contributions (from office space to the donation of goods), 44% make contributions to an endowment, and 28% seek donations from their own employees. When tallied up, the contributions made by the businesses constitute three-quarters of foundation resources. The bulk of Mexico's corporate foundations have five or fewer employees (58%), while 19% have between six and ten, and 24% have more than ten (Villar et al. 2014).

In a more recent study of Mexico's grantmaking foundations, and drawing upon the US-based National Taxonomy of Exempt Entities, the priority areas for grantmaking are philanthropy and volunteerism with $39 million USD (27%), human services with $26 million (18%), education with $20 million (14%), health with 13 million (9%), and $8 million to government institutions, together accounting for over $107 million USD, for nearly three-quarters of all corporate foundation grants. Corporate foundations are heavily concentrated in three states: There are 76 in Mexico City (52% of the total); 18 in the northern state of Nuevo Leon (12%), with most in the economic hub city of Monterrey; and 12 in Jalisco (8%), home to another major city, Guadalajara. These three states alone account for nearly three-quarters of all corporate foundations. Of the remaining 29 states, 17 have between one and five corporate foundations and 12 have none (Villar et al. 2017).

9.7 The Case of Colombia: A Long-Standing Tradition of Corporate Foundations Operating Programs in Connection with Church, Family, and Communities

Colombia stands out in the region due to the number, seniority, and significance of its local corporate foundations. Contrary to literature considering Venezuela as the leading country in terms of corporate philanthropy, and pointing out toward the role played by the US foundations in the development of corporate foundations in the region (Puig 2016), the Colombian model is clearly autochthonous and dates back to the 1960s, when two of the most relevant corporate foundations in the country were created: Fundacion Carvajal (1961) and Fundacion Social (1965, but originating in 1911 as workers' circle).

Both are relevant cases of corporate foundations of the controlling type, which head a business group. The case of Fundacion Social additionally exemplifies the notable influence of the Catholic tradition of charity upon regional philanthropic institutions. This organization was created as a workers' circle by a Galician Jesuit priest in 1911, was transformed into a philanthropic foundation in 1965, remained under control of the Jesuit order until 2001, and currently heads the 13th largest business group in Colombia, including Banco Caja Social and another five financial companies, with 5330 million dollars in assets and over 5.1 million clients (Dávila et al. 2014). The foundation funds its nonprofit, charitable activities with returns from its business subsidiaries.

Fundacion Carvajal is representative of corporate foundations of the controlling type connected to family business groups. The Carvajal Group, founded in 1904 in Cali, diversified from the printing and editing business into a variety of services and is now a family-controlled multinational extending its activities to several Latin American countries, the USA and Spain. The Carvajal Foundation was endowed in 1961 by the Carvajal family with 40% of their stakes in the Group, thus becoming its main shareholder. It currently holds 23% of its shares. Not by chance, the governance of the foundation – goals, board, and executive chairman – is detailed in the protocol that governs the family business, which aims toward integrity of the business group and unity of the family (corporate and foundation web sites; IFC 2011; Martin-Cavanna 2008a, b).

Fundacion Carvajal embodies the three main features of the Colombian model, as an operating foundation with strong ties with the community, closely interlocked to an entrepreneurial family and its business group, and of Christian inspiration. The mission of the foundation is to improve the well-being of the excluded populations in Cauca Valley, Colombia; and its vision is based on the Christian values of charity and social justice sponsored by the Carvajal family. It has pioneered micro-entrepreneurship and community development programs in the area, with a comprehensive approach to social interventions, and developed 88 projects in collaboration with 48 partners in 2015. Its innovative character has turned it into a reference for other corporate foundations in the region (Martin-Cavanna 2008a, b; Carvajal 2016).

Colombia is probably the country where the frontier between corporate and family foundations is more difficult to draw. Some of the AFE members characterized by the association as "family foundations" are in fact corporate foundations according to our definition, as they were originally endowed with a significant share of the family business and belong to the controlling type (the case of Fundacion Carvajal or Fundacion Sadarriaga Concha), or alternatively they are funded with corporate contributions that are allocated on an annual basis by decisions of the family council that governs the family business (e.g., Fundación Corona and Fundación Mario Santo Domingo). Out of 71 AFE members, 62 comply with our definition and 9 are family foundations.

Among 62 corporate foundations who are AFE members, 22 are connected to publicly listed companies. Regarding the geographic scope of the related company, 20 are national, 14 regional, 15 multilatinas, and 7 foreign multinationals. 6 AFE members have been created by groups of firms operating with different geographic scopes. Only 4 corporate foundations in AFE belong nowadays to the controlling type, with either significant or majority shareholdings of the related firms. In the first subcategory are Fundación Carvajal and Saldarriaga Concha foundation, which owns 12% of the Orbis Group. In the second subcategory are Fundacion Social and Fundacion WWB, with 85.7% of the WWB Bank, a microfinance institution lending to microentrepreneurs.

Regarding other descriptors of Colombian corporate foundations, we will use as a reference the largest sample available (the one elaborated by Promigas & DIS in 2011, with 129 corporate foundations). The majority of corporate foundations are related to companies of large size for country standards. In fact, 35% of the 200 largest Colombian firms have a corporate foundation, and the portion increases with company size, 7 of the 10 largest having one. The majority of corporate foundations were created by a firm (54%), followed by those created by an entrepreneurial family (18.4%), a business group (12.6%), and a group of entrepreneurs (12.6%). Between 1960 and 1980, corporate foundations created by entrepreneurial families or groups of entrepreneurs predominate; from 1980 onward, the portion of corporate foundations created by firms or business groups increases significantly. This shift is coherent with the concurrence of the popularity of CSR and the internationalization of Colombian economy through the entrance of multinationals in the 1990s, resulting in the creation of corporate-sponsored foundations by both local and foreign companies (Fundacion Promigas & Fundación DIS 2012).

Regarding their model of activity, it is mostly mixed, and an overwhelming majority consider themselves as mainly operating. Though 51.7% of corporate foundations receive returns from an endowment, a majority is not substantially endowed and depends on corporate contributions that tend to consist of cash donations, dividends, product donations, or asset donations. Corporate foundations created before 1991 tend to receive dividends in a larger proportion, while most of those created after that date depend on annual contributions. Coherent with social inequalities prevalent in the country, the main areas of activity of corporate foundations are education, community, and economic development (Table 9.7). Regarding board characteristics, 60.9% of corporate foundations include external

Table 9.7 Model of activity, sources of income, and areas of activity of Colombian corporate foundations

Model of activity	Operating only	29.9%
	Grantmaking only	5.7%
	Mixed	64.4%
Source of income (% over total income)	Contributions from founding firm(s)	57.8%
	Investment returns	20.3%
	Contributions from founding family	5.5%
	International cooperation	4.5%
	Government funding	4.2%
	Individual donors	3.0%
	Non-family shareholders	2.4%
	Suppliers	1.6%
	Employees	0.7%
Main areas of activity	Education	80.5%
	Community development	60.4%
	Economic or business development	59.8%
	Environment	42.5%
	Social integration	37.9%
	Human rights	36.8%
	Art, culture, and sports	35.6%
	Nutrition	33.3%
	Health	32.2%

Author's elaboration from Fundacion Promigas and Fundacion DIS (2012)

members in their board, but these independent members represent the majority of members only in 28% of corporate foundations (Fundación Promigas and Fundación DIS 2012).

9.8 Conclusions

There is no strong tradition of institutional philanthropy in Latin America, understood as voluntary private action for the public good that is independent of State and Church and is formalized through ad hoc organizations. The historical record is rather of informal charity, mainly based on the Christian culture prevalent in the region, the strong presence of the Catholic Church in the field of social welfare, and the related initiatives of local elites. However, during the last 30 years, a reconceptualization of civil society and a new understanding of the roles state, market, and civil society play unfolded. A role for NGOs and other civil society organizations, including foundations, emerged, and competition for funding led them to become increasingly entrepreneurial. Societal expectations upon local and foreign firms also evolved as the pressure to behave responsibly and commit themselves with community development and environmental sustainability increased.

We have tried to conceptualize, contextualize, and characterize corporate foundations as hybrid creatures – business tools of nonprofit nature where radically different institutional logics coexist – born out of this emerging role for enterprises in Latin American society. Results of this exploration point toward some general traits at a regional level:

1. Latin American corporate foundations are positioned as a distinct, though not prevalent, vehicle for private social investment, and as ancillary elements of broader CSR strategies.
2. Although instrumental for enterprises and resource-dependent on them, corporate foundations are highly heterogeneous organizations and are connected to business groups and entrepreneurial families to a larger extent than their US counterparts.
3. They participate in philanthropic infrastructures together with firms and/or family foundations, rather than networking among themselves or promoting foundation or nonprofit-only associations.
4. Their primary role within the third sector does not consist of funding civil society organizations, but rather on managing corporate relations with relevant stakeholders, most notably public and community actors, through a mixed operating-grantmaking model.
5. Endowed corporate foundations are a minority, and annual corporate contributions are the main revenue source in the context of diversified income structures.
6. Institutional proximity of corporate foundations to the government – not only as supervisor, but also as funder or partner – is noteworthy.

Against this common background, important country differences emerge from our three country studies. The relevance of international support, especially from the USA, for the process of emergence and growth of corporate foundations in the broader context of the construction of a third sector is evident in Brazil and Mexico. However, the impact of that support does not diminish the importance of national traditions and practices of philanthropy, as well as local leadership. Brazilian corporate foundations have tended to camouflage themselves as operating nonprofits. Mexico is the only country where the US model of grantmaking foundation has taken root. Colombia has followed a more idiosyncratic path, with corporate foundations working as a distinct type of civil society organization on community development.

The case of Brazil clearly stands out in terms of institutionalization of corporate philanthropy, GIFE being a reference for further data collection efforts in the region. In the case of Mexico, the public availability of data from the tax authority provides a reliable and detailed look at the flow of donations and a comparative perspective on the scope and size of corporate foundations compared to other types. AFE has been the main responsible for the increased visibility of corporate foundations in Colombia, inextricable from entrepreneurial families and family foundations.

Our exploration depicts an emerging, heterogeneous, and very rich landscape where different understandings, models of operations, and societal expectations upon corporate foundations coexist. It also suggests implications for both academia and practice. From a research perspective, this limited evidence does not diminish the need to get at some of the key descriptors identified in this chapter, particularly disaggregated financial data, and to illuminate critical issues in the relationship between the sponsoring business and the corporate foundation (e.g., how the sponsoring firm governs and funds the foundation or how the characteristics and strategy of the firm influence foundation governance and activities, among others). However, further data collection and categorization efforts should not only pursue systematic description of corporate foundations and their relationship with supporting firm(s), but also try to assess the evolutionary stage of corporate engagement they belong to as civil society actors. The "Five P Framework" developed by Salamon (2010) – Proliferation, Professionalization, Partnering, Participation, and Penetration – offers a promising venue to assessing the effectiveness of corporate foundations in tackling social problems.

From a practical perspective, corporate foundations are emerging against a background of lack of trust of civil society – the public and other nonprofits – vis-à-vis large corporate actors. This trust deficit may hinder innovative developments and must be factored out by firms or entrepreneurial families when funneling their philanthropic engagement through a corporate foundation, and also by foundation managers. As hybrid organizations, corporate foundations face a wider range of competing demands from external stakeholders, including different forms of accountability for different conceptions of performance. Latin American corporate foundations embody the difficult equilibrium between corporate instrumentality and civic engagement.

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