

# Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries

Country Analysis: Chile

Fundación Ecología y Desarrollo

Office of the Multilateral  
Investment Fund

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# 1. Country overview

## 1.1 Country Profile<sup>1</sup>

<b>Population (2014)</b>	17.76 million
<b>GDP per capita (2014)</b>	14,528 USD
<b>Rural population (% of total) (2014)</b>	11%
<b>CO2 emissions per person (2011)</b>	4.6 Mt per capita
<b>Inequality (GINI coefficient) (2013)</b>	52.1
<b>Poverty (population below national poverty line) (2013)</b>	14.4%
<b>Unemployment (% of population) (2014)</b>	6.4%
<b>Social Progress Index<sup>2</sup></b>	77.88 (28 <sup>th</sup> /133)

## 1.2 Economic and Social overview

Chile is a member of the WTO since 1995 and was the first South American country to join the OECD in May 2010 and is also one of the regions fastest-growing economies and considered a leader in free trade and open markets. Recently, the lower copper prices and the implementation of expansionist policies have led to a public deficit. The agricultural sector contributes to 3.5% of GDP, the industrial sector accounts for more than 37% and services 59.5%. About 13% of the population works in agriculture, more than 23% in industry and 64% in services. Tourism is increasing in the country with over 4.4 million visitors in 2015, one million more than 2014.

Chile's main economic challenge is to leave behind the traditional dependence on copper, as copper production represents more than half of the country's exports and the fluctuations in copper prices deeply affect the economy. Another major challenge in the country is the high dependence on food imports.

Chile has been the fastest growing economy in the continent relying mainly on exports by reducing tariffs and an introduction of numerous free trade agreements, as shown in Table 1. With a third of its GDP relying on exports, the country is highly vulnerable to external shocks. With this in mind, the government in 1985 established the Copper Stabilization Fund, composed mainly of copper revenues. In 2006 the Fund was divided into two funds, the Pension Reserve Fund and the Economic and Social Stabilization. Thanks to the Fund, Chile has been able to tackle most of these externalities and survive crisis as the 8.8 magnitude earthquake on 2010, affecting over one million people and hundreds of lives.

<sup>1</sup> All data is taken from <http://data.worldbank.org/> except GINI coefficient which is taken from <http://hdr.undp.org/en>

<sup>2</sup> Michael Porter's Social Progress Index measures multiple dimensions of social progress, benchmarking success, and catalyzing greater human wellbeing <http://www.socialprogressimperative.org/data/spi>

**Table 1. Chile Free Trade Agreements<sup>3</sup>**

<b>Country FTA</b>	<b>Date of enforcement</b>
Australia	6-Mar-09
Canada	5-Jul-97
China	1-Oct-06
Colombia	8-May-09
Hong Kong, China	29-Nov-14
Japan	3-Sep-07
Malaysia	18-Apr-12
Mexico (ACE 41)	1-Aug-99
Panama	7-Mar-08
Peru	1-Mar-09
Republic of Korea	1-Apr-04
Thailand	5-Nov-15
Turkey	1-Mar-11
United States of America	1-Jan-04
Vietnam	4-Feb-14
<b>Regional FTA</b>	
Central America (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua)	-
European Free Trade Association (EFTA)	1-Dec-04
European Union (UE)	1-Feb-03
MERCOSUR (ACE 35)	1-Oct-96
New Zealand, Singapore and Brunei Darussalam (P4)	-
Pacific Alliance	1-May-16

Since the reestablishment of democracy in 1990 until 2010 Chile has been governed by a center-left political coalition called *Concertación*. In 2010 conservative candidate Sebastián Piñera won the Chilean presidential election. Today’s President, Michele Bachelet, is in office for her second nonconsecutive term, 2006-2010 and 2014-2018. One of the most important actions while in office during her first term was in August 2006 when she promulgated a free trade agreement with the People’s Republic of China (signed under the previous administration of Ricardo Lagos), this was the first Chinese free-trade agreement with a Latin American nation.

Since 1990 the fight against poverty has become one of the main goals of successive governments. In that year the Fund for Solidarity and Social Investment was set up to finance the application of vast social programs. In recent years social expenditures increased to 70% of total fiscal

<sup>3</sup> Organization of American States, Foreign Trade Information System, [http://www.sice.oas.org/ctyindex/CHL/CHLAgreements\\_e.asp#Inforce](http://www.sice.oas.org/ctyindex/CHL/CHLAgreements_e.asp#Inforce)

expenditures. The combination of high levels of economic growth and successful social policies have led to a remarkable reduction in the levels of poverty in the country. While in 1987, 45.1 % of the population was classified as poor; in 1996 this figure was reduced to 23%.

As the Economist Intelligence Unit mentions regarding Chile's business environment, this will continue to be ranked at the top in the Latin American region. However, there is still some progress to be made on education reform, energy supply and connectivity, higher education skills set and infrastructure. It is also underlined that Chile's market opportunities are constrained by its small population however it continues to attract investment due to higher salaries, greater political stability and a more effective economic management than its neighbor countries.<sup>4</sup>

### 1.3 Key social challenges

On one hand Chile is one of the most developed countries in Latin America and has relatively low levels of poverty. On the other hand, Chile shows the second worst distribution of wealth in the entire region, after Brazil. So while the richest 10% of the population obtains almost 50% of the national income, the poorest 10% gets less than 2%. Chile, together with Mexico and Turkey has the highest income inequality among OECD countries. Also, in contrast with other Latin American countries most Chileans constantly think and act in terms of traditional class divisions, largely expressed as lower, middle, and upper.<sup>5</sup>

Although coverage of primary education is universal and coverage of secondary education is above 90% in Chile, enrollment rates in pre-school and tertiary education are lower, particularly for those among the lower socioeconomic groups. The quality of higher education is also low and with large differences in performance based on gender and socioeconomic status.<sup>6</sup> Another issue related to education is that in 1981, the Pinochet regime dismantled free public education creating a large number of private universities, while reducing access to this type of education for low income populations. University students end up with a poor education and excessive debt.

Michelle Bachelet's 2014–2018 "Chile for All" (*Chile de Todos*) development plan underlines the issue of reducing inequality and implementing structural reforms for a more socially integrated society with equal opportunities for all. The Plan focuses on three key reforms: (a) education; (b) tax reform, and (c) a new Constitution. The new School Inclusion law, including primary and secondary schools, has taken effect in January 2016, and it is planned to end profit making and copayment - which will increase access to education since access would no longer be dependent on a family's ability to pay - in schools that receive public funding, as well as banning selective admissions. At the higher education level, more than 234,000 students from the lowest income families will benefit from free university education. The tax reform approved in September of 2014 is intended to increase tax revenue in order to finance education, health and other public services. While it reduces the highest tax rate from 40% to 35%, it aims to significantly increase the taxes paid by businesses. Small entrepreneurs believe that they will not benefit from these tax

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<sup>4</sup> Economist Intelligence Unit

<http://country.eiu.com/article.aspx?articleid=333718017&Country=Chile&topic=Business&subtopic=Market+opportunities&subsubtopic=Market+opportunities>

<sup>5</sup> <http://www.everyculture.com/Bo-Co/Chile.html#ixzz43e5YEVd2>

<sup>6</sup> The 2012 PISA results indicate that in most countries boys outperformed girls in Mathematics (11 points difference on average); however, Chile had that largest gap, with a difference of 25 points

reforms. The constitution reform will aim to update the law, as the current constitution had its origins in Pinochet’s dictatorship and does not reflect the needs of the country nowadays.

## 2. Overview of social entrepreneurship and social innovation movement

Looking into the development of social entrepreneurship and social innovation movement, there have been three main social enterprise formats. First are those non-profit organizations that are changing to a for profit structure but with a social target. Secondly, there is the emergence of start-ups that have decided from the beginning that they are social enterprises or institutions that are adopting social enterprise models, but still not named as such. Finally, there are those social enterprises related to the traditional private sector.

Social Innovation in Chile began to be formally recognized in 2005 and tended to be associated with civil society responses to complex social problems through third sector organizations and social enterprises associated with new hybrid business models. Chile’s government began addressing social entrepreneurship and social innovation during this stage. Below, Table 2 shows key milestones of social innovation in Chile.

**Table 2. Key milestones in the social entrepreneurship and social innovation in Chile**

Year	Milestone	Description
1997	TECHO founded	TECHO Foundation considered influential in the social innovation ecosystem across Latin America as many students who experienced this community house-building program went on to lead social innovation (e.g. Socialab, Co-Lab and others).
2003	First social enterprise	First named social enterprise founded (LATE).
2005	Innovation bureau created	National Innovation Council for Competitiveness created by presidential decree to advise the President of the Republic on all aspects related to policies in the area of innovation.
2007	New legal structure	Stock Company (in Spanish <i>Sociedad por Acciones</i> ) Ease of administration as a limited company and freedom of a capital as it is divided into shares as a corporation.
2009	LEIS founded	Laboratory of Social Innovation and Entrepreneurship in <i>Pontificia Universidad Católica de Chile</i> founded. This later becomes CoLab.
	FIS established	First Social Impact Investment Fund created ( <i>Fondo de Inversión Social</i> ) investing in business or NGOs with social impact and sustainable business model, operational from 2010.
2010	Start Up Chile founded	Chilean government creates a platform to attract high potential, early stage entrepreneurs and show its viability hub for innovation and entrepreneurship in the region.
2011	Co-Lab founded	First University Business School to create a laboratory for social innovation in Chile, now offering teaching, research and collaborations to promote social entrepreneurship and stimulate the social innovation ecosystem in Chile and beyond.
2011	Socialab founded	Founded as a spin-off of <i>Techo</i> , one of the first organizations to launch open innovation competitions to address key social challenges and stimulate the sector of social entrepreneurship in Chile.
2012	Year of entrepreneurship	Chile’s government declared 2012 year of entrepreneurship which government initiatives to support entrepreneurs, e.g. new regulatory frameworks and funds for entrepreneurs,
	Sistema B founded	B Lab (US) replicates its global model with <i>Sistema B</i> in Latin America. Also in Australia and Europe in an effort to create an international network of entrepreneurs.
	ISS-UDD created	Institute of Social Innovation created at the <i>University of Development</i> to support social innovation through teaching, research and engagement with the sector.
2013	Year of Innovation	Chile positions itself as a regional innovation hub. Santiago voted one of the 20 best cities worldwide for developing digital entrepreneurship.

	ASOGES founded	The National Association of Social Entrepreneurs Chile (ASOGES) was created to have a network to share ideas, needs, and strengthen and accelerate social entrepreneurship.
	#101 Solutions open contest	Collaborative crowdsourcing initiative for social entrepreneurship created by 30 organizations. Proposal for new legal framework for social enterprise emerges and working group develops legal proposal to government.
	First edition of FIIS	First edition of the International Festival for Social Innovation takes place in Santiago with 50.000 participants (now replicated in 5 countries across Latin America).
2015	SSAF creation	CORFO Venture Capital Investment Fund for Social Entrepreneurship (SSAF Social) created as a flexible seed fund for incubators to distribute to entrepreneurs.
	Laboratorio de Gobierno founded	New government initiative under CORFO with a public-private board to promote innovation across the public sector.
	Minka created	Another network of universities supporting social innovation was founded, formed with more than 40 institutions in 8 regions of the country.
	4Changemedia founded	First media organization to specialize in social entrepreneurship and innovation in the mainstream media with audiovisual and digital content.
	CasaCo founded	Collaborative working space and community created for companies who aim to make a difference. Opened with 7 social enterprises and Sistema B.
	Innovation Bureau reformulated	National Innovation Council for Competitiveness (CNIC) is rebranded to become the National Innovation Council for Development (CNID) with a new focus as key players in influencing public policy on social innovation to address poverty and inequality.

It is worth highlighting the recent shift in the way that social innovation is supported by the government in Chile, through the creation of two new funding mechanisms from CORFO, Social Innovation Prototypes Fund and Flexible Assignment Social Subsidy (Spanish Acronym SSAF). Rather than supporting individual social entrepreneurs or social enterprises, as was previously the case these funds are assigned to an intermediary who then distributes it to the social enterprises, with the intention on focusing more on the key articulators and ecosystem players

In 2015 the first SSAF funds were distributed to *Socialab*, Development University, University of Chile and the organization *Acercaledes*, seven in total, each supporting 8 social enterprises with around US\$15.000 each. CoLab also received funds under the IS Prototypes pilot project fund and undertook two regional initiatives involving players from different sectors with the Aysen region (13 initiatives supported) and Atacama region (9 supported). As a result Antofagasta now has an alliance for social innovation signed by over 30 organizations. This has sparked interest from other regions in this regional multi-sectoral approach, coined by Sebastian Gatica, director of CoLab as the Five-sided helix (in Spanish *Quintuple Hélice*), where two sectors are superimposed on the typical three sectors (public, private, civil society): Universities stemming from civil society and entrepreneurs from the private sector.

As Juan Pablo Larenas, co-founder of *Sistema B* mentions, social innovation has become a topic of conversation among entrepreneurs, academics, scholars, investors, the public sector, media and the civil society. He also comments that enterprises that seek to generate a positive social and environmental impact are transforming the country's economy.<sup>7</sup>

<sup>7</sup> <http://www.sistemab.org/chile-pais-de-emprendedores-sociales>

### 3. Public Policy for social entrepreneurship and social innovation

In 2010, the conservative party took power and made interventions to encourage a new culture of entrepreneurship. Since that time the theme of social innovation and social entrepreneurship is a topic covered by various public agencies; however there is a lack of legal or regulatory framework on the institutional structures for social innovation as well as for social enterprises. The government has tried to meet the demands of the sector from different parts of government as CORFO, SERCOTEC, FOSIS, INJUV and DOS been the main agencies involved. The theme of social innovation has been crosscutting in Chile, promoted both from the Ministry of the Economy and the Ministry for Social Development. In August 2014, under Bachelet's second term in office, the Division of Associative and Social Economy, under the Ministry of Economy, in Spanish acronym DAES, was established. This is the first time social economy is defined where actors like B corporations are crucial.

A key actor in terms of innovation in government is the Government Laboratory (*Laboratorio de Gobierno*). President Bachelet, in May 2014, said “*we have to move a step forward from modernization and also support an innovative Estate. During the second half of this year we will create the Government Laboratory*”. The Laboratory is a space to experiment public policies. It is formed by Ministry of Economy, SEGPRES, CORFO, the tax department, Social Development Agency, Civil Service, SUBDERE and the civil society. The laboratory has three main lines of operation, design and development of innovation projects, innovation knowledge transfer and capacity development and attracts private sector talent to the public sector.<sup>8</sup>

Within this context in the last 12 months there has been considerable activity in the public policy arena in Chile for social innovation. On the one hand in 2015 a process for dialogue across the several government bodies with an interest in social innovation and public policy was created, known as the “Table for public policies for social innovation” with participation from the different government players as above. In the same year the Bureau for Innovation and Competitiveness took a strategic turn to become rebranded as the Bureau for Innovation and Development (acronym in Spanish CNID). CNID takes on board the task of initiating a collaborative process to create a public policy for social innovation, and has the agreement from the presidency to present strategic guidelines for this policy in December 2016. Currently CNID is seeking input on strategic recommendations from the different government players, with the aim of firstly innovating in the process for public policy development and secondly ensuring that innovation in poverty alleviation becomes a supra-governmental priority that is not dependent on changes in political parties. To date 200 people have been consulted on the draft Strategic Orientations, which were also discussed by 60 employees from FOSIS at their annual conference in May 2016 on social innovation held in Valparaíso.

Another recent shift in focus is to develop a regional agenda for social innovation, moving the spotlight away from the capital, Santiago. In this sense CORFO, CNID (and internationally BID) are aligned in their strategies to focus on creating pipeline of social enterprise at the regional level.

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<sup>8</sup> <https://lab.gob.cl/>

### 3.1 Legal structures for social enterprises

Although most social enterprises take the form of corporations (*Sociedad Anónima*), there are also other legal forms, such as the Stock Company (*Sociedad por Acciones*), Limited Liability Companies (*Sociedad de Responsabilidad Limitada*) or Individual Limited Liability Company (*Empresa Individual de Responsabilidad Limitada*) in Chile. Chile is one of the easiest countries in Latin America to establish a business, and this has been spearheaded by *Start-Up Chile*<sup>9</sup> (you can now legally incorporate within 24 hours online), which offers foreign entrepreneurs US\$40,000 and a six-month stay with free office space and coaching. However, only 15% of those companies choose to stay in Chile.

Table 3 summarizes the characteristics of the different legal structures types that are most commonly used for social enterprises: foundation, stock company, and hybrid model between a stock company and a foundation, as an example, a foundation that owns a stock company. There are also ongoing discussions around creating a specific legal structure for social enterprise.

**Table 3. Legal structures for social enterprises**

Name	Name in Spanish	Description
<b>Foundation</b>	Fundación	Foundation is an estate administered by agents according to the will of a founder who also determines its objectives for the realization of a work or to the public interest.
<b>Stock Company</b>	Sociedad por acciones	A type of corporation formed by one or more people whose participation in the capital is represented by shares. Requires US\$ 1 of share capital, at least 1 shareholder, and 3 directors – who don't need do be Chileans-. Allows issuing shares after business setup.
<b>Hybrid of two structures</b>	Híbrida	For example a Foundation that owns a stock company whereby 5% of the company's profit can be donated to the foundation (as a maximum it can donate; hence the collaboration with a Foundation).

A key moment in the discussions around a new legal structure for social enterprise was when *Sistema B*, *Socialab*, and others initiated the #101soluciones for social entrepreneurship initiative as a crowdsourcing initiative for good ideas to change society. One of these ideas was to create a new legal format for social enterprise. From here a group of lawyers created a formal legal proposal with the following elements: legal certainty, reporting, auditing and fiscal advantages. The Ministry of Economy however was only interested in a system that could be audited and regulated, whereas the proposal was for a lighter touch, to trial for five years to see what kind of business would register and evaluate after this experience, understand the characteristics of the sector and further develop at that stage. In January 2016 *Sistema B*, was invited by the Court to provide opinion on the new proposed legal structure, however since then, there has been no progress, as the recent downturn in Chile's economy has taken political priority. Similar discussions are taking place in Argentina and in Colombia where the Superintendent of Companies (*Superintendente of Sociedades*) is very pro the idea of adopting the model of Benefit Corporation from the US.

<sup>9</sup> CORFO's Program to attract early-stage, high-potential entrepreneurs to bootstrap their startups using Chile as a platform to go global. Receiving in between 200 – 250 companies a year. 3 distinct programs based on the stage of the startup, US\$14k, US\$30k, or US\$86k.

B Corps, at the helm of creating new legal structures in the US, says that changing the statutes to ensure social and environmental objectives is a step in the right direction, but not sufficient to enable companies to prioritize their social mission over profit maximization. *Sistema B's* three unique characteristics are described as below and in Chile (as several other Latin American countries) *Sistema B* has been established as a separate company to promote the system within the country, although the actual certification process is completed centrally in the US.

1) Fiduciary responsibility that shareholders assume with certified companies, whereby the company's constitution is changed to include the commitment to generate positive social and/or environmental impact. This means that the company is no longer bound to generate short-term profit above and beyond its social mission, however if a shareholder appeals against this he will be supported by Chilean law to maximize returns.

2) Integrated metrics system that considers all aspects of the company's activity from its core product and service to the governance structures and the way the business manages its human, physical and other resources

3) Positive impact is the focus of the reporting, whereby it is not enough to simply measure the reduction of any negative (environmental or social) impact, rather measure progress towards making a positive impact

### 3.2 Key Challenges for the future

In the coming years, a challenge for the government will be to homogenize concepts and public policies around social entrepreneurship and social innovation and assign one organization to take leadership for these policies. Secondly a challenge will be to develop a legal framework recognizing a new form of hybrid companies, combining traditional company structures with those of social organizations. This could in turn encourage more private investment in social business, if it is accompanied by fiscal advantages for investors. For example the model used in the UK where there is a 30% reduction in tax for investments in social business could be adopted. Another key challenge will be to build the culture in Chile of working across sectors and for government to have more active engagement and collaboration with the other key players from the private sector and civil society. Finally the Study carried out by the organization *Gestión Social*<sup>10</sup> a private consultancy, commissioned by the Ministry of Economy also underlines several recommendations for the public sector to empower social innovation in Chile:

- ✓ Include social innovation and social entrepreneurship in schools and universities curriculums
- ✓ Increase visibility of National Innovation Board for Development (CNID)
- ✓ Create a certification for good practices for inter-enterprise collaboration
- ✓ Simplify mechanisms to create cooperatives
- ✓ Tax benefits for social enterprises
- ✓ Create a special fund among CORFO and/or SERCOTEC focused on social enterprises
- ✓ Increase government services and products targeted exclusively to social enterprise
- ✓ Create metrics for development, create a social actor mapping and a social enterprise day

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<sup>10</sup> Estudio de Modelo Organizacional Colaborativo para la Innovación Empresarial, Gestión Social, Noviembre 2015

## 4. Key ecosystem players<sup>11</sup>

### 4.1 Overview of ecosystem players

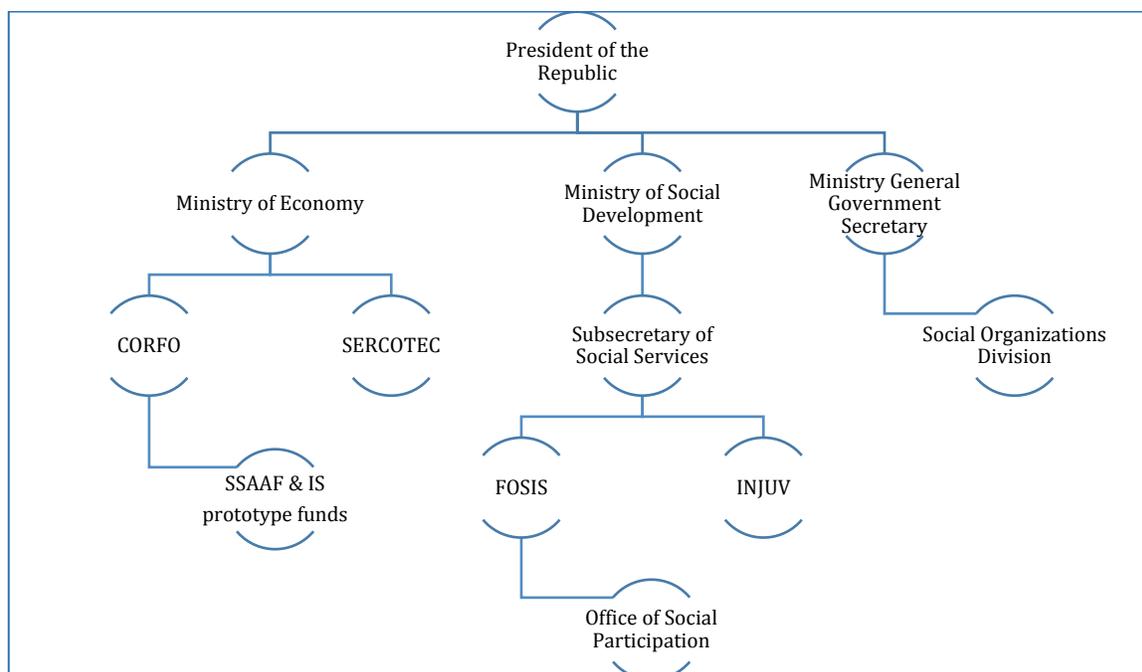
The following section highlights the key organizations that support social entrepreneurship and social innovation in Chile from the public, private, financial and academic sectors. This selection does not include the multiple organizations that support entrepreneurship or innovation per se but do not have a specific program for socially oriented initiatives, as is the case of StartUp Chile. Neither does it include international program that do not have a physical presence in Chile. The public sector has several active players supporting social enterprise, there is a very developed ecosystem of specialized intermediaries, however financial support is limited particularly from the private sector.

### 4.2 Details of selected players

#### 4.2.2 Public support programs

The most important public actors are CNID, CORFO, SERCOTEC, FOSIS, INJUV and DOS, as illustrated in Figure 1. Each organization focuses on one aspect of the ecosystem of social innovation and in 2015 have started dialogue through the Table for Public Policy on Social Innovation and the consultative policy process led by CNID to create Strategic Recommendations on innovation and poverty alleviation for the presidency.

**Figure 1. Chilean government organogram**



<sup>11</sup> Dmitri Domanski, et al. Social Innovation in Latin America: The Chilean Case, 2015  
La Innovacion Social en America Latina. Socialab. ESADE-FOMIN, Septiembre 2014

Name	Competitions/ Open innovation	Training	Incubation/ Acceleration	Research	Finance	Activity
CORFO (SSAF / IS Prototypes)	x		x	x	x	Entity in the Ministry of the Economy responsible for entrepreneurship, business innovation support, technological programs and early stage funding with two social innovation programs (SSAF) and (IS Prototypes) managed via intermediaries.
FOSIS (Idea Fund)	x	x		x	x	Organization within Ministry of Social Development that seeks to improve living conditions of the most vulnerable with the "Idea Fund" to support individual social entrepreneurs with seed capital.
Ministry of Social Development	x	x		x	x	The Ministry has its own social innovation program, "Chile for all" which supports social organizations (NGOs, Foundations, Associations) in delivering their social mission.
INJUV			X	X		INCUBA within the INJUV supports the development of local youth initiatives, through funding of projects designed by young and submitted by NGOs, targeting 15 -29 year olds.
Government Laboratory		x	x	x		Created in 2014 with members of 8 government agencies as a space for innovation between public policies and public services. Civil society, multilaterals, companies and entrepreneurs, academia and public employees involved in several social innovation projects.

Table 4 below shows the spending from each of these public organizations on their respective social innovation programs, in most cases around 0,3% of the total annual budget with the exception of the Government Laboratory which has innovation in public policy as its overall remit.

**Table 4. Public spending on social innovation in 2015<sup>12</sup>**

Government unit	2015 budget	SI Budget	Program budgets	% of total
CORFO	\$942M	\$3,4M	IS Prototypes (\$867,000) SSAF (\$2,6M)	0,37%
Ministry of Social Development	\$478M	\$1,4M	Chile for all ( <i>Chile de todos y todas</i> )	0,30%
FOSIS	\$109M	\$290,000	Idea Fund ( <i>Fondo Idea</i> ) Impact Health (\$377,000)	0,27%
Government Laboratory	\$4,5M	\$1,5M	Public sector innovation (\$994,000) <i>Aulab</i> projects (\$90,000)	32,81%

<sup>12</sup> Data gathered from the strategic recommendations being prepared by CNID for the Presidency "Propuesta Borrador de Orientaciones Estratégicas" (CNID, 2016).



#### 4.2.2 Specialized intermediaries & physical spaces

Chile has a rich and well-developed ecosystem of specialized intermediaries and physical spaces in both the social entrepreneurship and social innovation arena. Three key players are *Socialab*, which has been crucial in generating critical mass amongst young entrepreneurs with a social mission and focuses on early stage initiatives; IF, a collaborative physical space which houses Ashoka, several accelerators and other key players and *Sistema B*, a certification process for more established companies generating positive social impact. What is also unique for Chile is the high degree of collaboration across these players. This is helped by the fact that they focus on different stages of growth and most activity is centralized in the relatively small city of Santiago.

There are also several Seed acceleration programs that have been led by Start Up Chile, the Chile Foundation and *Wayra* and the table below shows both the intermediaries specialized in social entrepreneurship and below those that support entrepreneurs in general and are starting to attract social entrepreneurs, although they do not yet have specific programs for this.

Specialized intermediaries & physical spaces							
Name	Competitions	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity
Ashoka				x	x		Established in Chile in 2012, financial support for 44 social entrepreneurs to date as well as several education programs.
Casa Co		x				x	Shared offices for social enterprises created in 2015 that seeks to create collaborations and interactions between the companies and influence the sector..
FIIS	x						International Festival of Social Innovation organizes large-scale music and innovation events, first edition in 2012 with 50.000 people, now in 4 countries.
NesSt		x	x		x		Operating since 1997, financing seed capital in grants or soft loans, training and business consulting. Reaching 400,000 low-income individuals.
Sistema B							Created in Chile in 2012, as is the Latin American arm of the global organization B-Corps, a voluntary certification for companies with social impact.
Socialab	x	x	x	x		x	Social entrepreneur platform, which specializes in crowdsourcing ideas to resolve the problems of the poorest communities in Chile. Now operating in 5 countries.
4Change Media		x		x			Communications agency specialized in social entrepreneurship and social innovation using audiovisual and digital media to enhance impact.
<b>Innovation and entrepreneurship players that may have a social focus in the future</b>							

EmpreDie m			x		x	Founded in 2011 with offices in Chile, Argentina and Mexico to support the lack of access to tools and methodologies in entrepreneurship, innovation and sustainability through various projects, focused on entrepreneurs, companies and universities.
Exosphere	x					Founded in 2013 by two North Americans, an 8-week program for entrepreneurs to prepare them for the creative economy by gaining expertise in a specific domain, and fostering their curiosity and adaptability.
First Tuesday Americas	x					Founded in 1998, this NGO was designed to strengthen the entrepreneurial environment in Chile. It organizes meetings, seminars and activities for entrepreneurs and promotes entrepreneurship culture.
Chile Entrepreneur Foundation	x	x		x		Business Incubator established in 1982, financing up to US\$ 45k through Corfo's seed fund. Constant entrepreneur support for business development and market entrance. With more than 25 start-up invested and US\$ 2.6M invested.
IF (Ideas Factory)	x		x		x	Six entrepreneurs established IF in 2015 as a meeting place for investors, universities, incubators and promoters of innovation in Chile. Today it has more than 45 organizations and 2 spaces in Santiago.
National Association of Social EntrepreneurChile (ASOGES)	x		x			Established in 2013, ASOGES aims to create a network where share ideas, needs, and strengthen and accelerate social entrepreneurship in Chile. Supported by SERCOTEC and other institutions, Asoges is part the important social reform of human thinking about enterprises and how they interact with the environment.
National Entrepreneur Association Chile (ASECH)	x					Since 2011, the association with over 20,000 members promotes and supports legally entrepreneurs and generates the optimal conditions encouraging the development of new ideas.
Santiago Maker Space	x				x	Opened in 2012, as a space to create and promote imagination, invention and creativity. Articulate and develop collaborative instances of experimentation, learning and work.
Wayra			x	x	x	Telefonica's accelerator funding of up to US\$50k a workspace, access to a global network of business partners, mentors and experts, plus the opportunity to work with Telefonica businesses around the world. First edition was 2015.

#### 4.2.3 Academia

The Catholic University of Chile was one of the first Universities to create a specific program for social entrepreneurship and innovation in 2009 with the creation of the Laboratory of Social Innovation and Entrepreneurship (LEIS), initially funded by *Innova Chile* (Monge, 2012). *Innova*

Chile has since been incorporated into CORFO.<sup>13</sup> Since then, the concept of University Social Responsibility has also become increasingly important in Chile. In 2013, the Network for Social Innovation in Higher Education, (NESIS Chile), was founded and joined by eleven Chilean universities within the first six months. Also the Latin American wide Social Enterprise Knowledge Network (SEKN) has presence in Chile and now several Universities have their own incubators to support startup businesses for their students, some specializing in social innovation. Active players in supporting the social innovation ecosystem through their research, teaching and outreach are COLAB at the *Catholic University of Chile*, the Social Innovation Institute at the *University of Development* and the *Alberto Hurtado University's* Inclusive Business laboratory.

The Universities in Chile are also actively engaged with other ecosystem players, for example the *Catholic University of Chile*, *University of Chile* and others have created with Ashoka a round table to promote more systemic engagement around social entrepreneurship with the government, Ashoka U Minka,<sup>14</sup> and most of the Universities have also been active players in the International Festival for Social Innovation.<sup>15</sup>

Universities & Business Schools							
Name	Competitions/ Open innovation	Teaching	Incubation/ Acceleration	Research	Finance	Coworking	Activity
Centre for Innovation, Anacleto Angelini		x		x			Established in 2012 to increase entrepreneurship nationally and in the region, through 3 initiatives: National University Entrepreneurship Competition Jump Chile, the Science and Technology Competition BRAIN Chile and Social Innovation Contest High Impact CoLab.
CoLAB Catholic University of Chile			x		x		Established in 2011, COLAB promotes teaching and research on social entrepreneurship and innovation, and is also a key player in facilitating ecosystems for social innovation, as in recent projects funded by CORFO and implemented at regional level.
Garage UAI, Adolfo Ibañez University			x	x	x		Created in 2015, as the first Incubator for startups in the Adolfo Ibañez University for students and alumni. First edition 9 projects selected in Peñaloleon and 4 in Viña del Mar.
IncubaUDEC, Concepcion – Bío Bío University	x	x	x	x	x	x	Established in 2002 to support technological entrepreneurs and mentor SMEs in the BioBio region. Today supplies to students strategy mentorship, intellectual property, communication, infrastructure, networks, mentorship and access to finance.
UDD Ventures,		x	x			x	Incubator established in 2012, which supports entrepreneurs from all Chile, in early stages with facilitators to reach the next stage of development and

<sup>13</sup> Nicolas Monge, Social Sciences, social innovation and public policy. Universities as agents of change, Public Policy Centre, Catholic University of Chile

<sup>14</sup> <http://centrodeinnovacion.uc.cl/ashoka-u-minka/>

<sup>15</sup> [www.fiis.org](http://www.fiis.org)

University of Development						access to CORFO's SSAF. Activities include mentorship, consultancy, workshops, platforms and networking.
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#### 4.2.4 Financial Support Programs

Latin American Private Equity & Venture Capital Association (LAVCA) has named Chile the best environment for Venture Capital in Latin American for a consecutive eight year, mainly for its IP protection, judicial transparency and perceived low levels of corruption.<sup>16</sup> There is strong public support for Startups and early stage innovation from the government, particularly through CORFO and Start Up Chile, and this is beginning to reach the socially oriented entrepreneurs.

However once startups have benefited from the seed capital available from CORFO, they tend to look for their own private finance as the current ecosystem doesn't offer much support for the early stages of business (particularly years two and three).

For more mature enterprises Chile Global Angels founded by the Chile Foundation (*Fundación Chile*) is the main actor and in 2013 an agreement was made with other Pacific Alliance members to create the Angels of the Pacific with Peru's Capital Network, *Capitalia Colombia* and Angel Venture Mexico. The main objective of this network is to integrate high potential innovative enterprises into the investment markets, exchange experiences among members and promote best practices.<sup>17</sup>

In terms of social impact investment Chile has just one active local fund, the Social Investment Fund (Spanish Acronym FIS), worth US\$4,5 million and created in 2010 within *Ameris*, a financial services company. The fund has 21 private investees and 7 social enterprises within the portfolio and has been recognized by the Global Impact Investment Rating System<sup>18</sup> as 4<sup>th</sup> and 5<sup>th</sup> best fund in developing countries in 2013 and 2014 respectively.

Finally, the more established social enterprises in Chile also receive financial support from multi-lateral development banks, such as CAF, World Bank and IDB as well as private players such as the Shwab Foundation, Skoll Foundation and Avina. Individual Chilean social entrepreneurs have also received support from Ashoka (44 fellows since 2012), Endeavour and Echoing Green.

The table below shows the main financial actors in the social innovation sector in Chile as well as the stage they finance.

<sup>16</sup> LAVCA, Scorecard on the private Equity and Venture Capital Environment in Latin America, 2015/2016

<sup>17</sup> <http://chileglobalangels.cl/chileglobal-angels-firma-acuerdo-con-redes-de-inversiones-angeles-de-peru-colombia-y-mexico/>

<sup>18</sup> <http://giirs.nonprofitsoapbox.com/>

Organizations that finance social entrepreneurship and social innovation					
Name	SEED STAGE	EARLY STAGE	GROWTH	SCALING	Activity
Avina Foundation		x			Avina in Chile is oriented toward promoting collaborative processes with leaders from different sectors to ensure a solid foundation for a more sustainable, inclusive, and equitable development in the country.
BID FOMIN		x	x	x	Is the innovation lab for the IDB. It conducts high-risk experiments to test new business models. Funding between \$100,000 and \$2M USD per organization.
Chile Global Angels		x	x		Founded under the Chile Foundation ( <i>Fundación Chile</i> ) invests in business at early stage of development or which ideally have a proven a pilot or started sales. Funding from \$20,000 USD to \$500,000 USD per company.
Endeavor			x		Impact investor funds 62.2M USD capital raised by Endeavor entrepreneurs between 2013 -2014. Invests in companies with more than 1M USD sales and growing around 30%.
Social Investment Fund (FIS)		x	x		Chile's first Social Investment Fund that invests in organizations that resolve a social problem at the base of the pyramid, have been operational for at least 3 years and need resources to be able to scale, with a minimum need for investment of \$500,000.
Innova Bio Bio (Concepcion)	x	x			CORFO's local agency that supports technology innovations in the Bio Bio region. Since 2001, invests a maximum of US\$225,000 per project.
NESST		x			NESsT Chile has helped over 88 organizations and entrepreneurs to develop sustainable business plans and has provided them with startup and incubation support. 8 social enterprises in current portfolio.

## 5. Examples of social enterprises

In this section we highlight a selection of social enterprises founded in Chile to complement the three case studies LATE, Lab4U and UPASOL. The selection has been made with three criteria; the primary focus is to resolve a specific local social or environmental problem, there is a sustainable business model and finally capacity to scale. An in-depth case study has been written for Late and Lab4U.

**Table 3. Examples of Social Enterprises in Chile**

Name	Legal Format	Year founded	Description
Late	Foundation and Limited Company	2008	Sells basic commodity products at competitive prices and donates 100% of its profits to recognized social organizations who work for young people and children at risk across Chile. <a href="http://www.late.cl">www.late.cl</a>
LAB4U	Limited Company	2013	Delivers low cost learning Apps enabling students to undertake practical science experiments with their phones and increase scientific literacy. <a href="http://www.lab4u.cl">www.lab4u.cl</a>
Upasol	Foundation	1990	A free collection service for recyclable household goods. The waste is then sold generates revenue for a rehabilitation center for handicapped children and adults. <a href="http://www.upasol.cl">www.upasol.cl</a>
Viñedos Emiliana SA	Limited company	1986	A company that produces and distributes high quality 100% organic and biodynamic wine and supports the creation of micro-enterprises for its workers. <a href="http://www.emiliana.cl">www.emiliana.cl</a>
Triciclos	Limited company	2009	Clean Collection Points providing recycling services and education for consumers and businesses across the country with separated waste sold to large buyers. <a href="http://www.triciclos.cl">www.triciclos.cl</a>
Club Budeo	Foundation and limited company	2008	Surf school for vulnerable kids in Antofagasta funded by profits from the sister ecotourism company. Budeo also organizes Body board festival and hosts international body board championships. <a href="http://www.budeo.cl">www.budeo.cl</a>
Al Gramo	Private limited company	2012	Social business which distributes basic provisions to small shops in poor neighborhoods using vending machines with re-usable containers, reducing the price for the final consumer by 30%. <a href="http://www.algramo.com">www.algramo.com</a>
Papinotas	Private limited company	2012	Online platform and communication system to strengthen school-families relationships via personalized SMS message to achieve more effective interactions through positive reinforcement. <a href="http://www.papinotas.cl">www.papinotas.cl</a>
Reforestemos Patagonia	Foundation	2012	NGO with a mission to plant 1 million trees in Patagonia and raise awareness of culture, flora and fauna through donations from companies and citizens and a volunteer program. <a href="http://www.reforestemospatagonia.cl">www.reforestemospatagonia.cl</a>
Fresh Water	Limited Company	2015	Low cost domestic technology to condense water from the air to supply households in arid zones with fresh drinking water. <a href="http://www.freshwatersolutions.org">www.freshwatersolutions.org</a>

Broota	Limited company	2011	Latin America's first equity crowd funding platform and social enterprise network that has raised over 3\$million to date and aims to be Latin America's leading crowd funding platform. <a href="http://www.broota.com">www.broota.com</a>
Karun	Private limited company	2014	Premium sunglasses company that recovers abandoned fishing nets from the sea to make their product and promotes sustainability education through their product. <a href="http://www.karunworld.com">www.karunworld.com</a>

## 6. Final Reflections

Chile has a well established support system for entrepreneurship and innovation with multiple organizations offering seed capital, co-working spaces and other support for Start-Ups however most do not have a dedicated social entrepreneurship program. Recently the public sector has started to facilitate dialogue across departments around social innovation and is developing a policy to ensure this reaches beyond political terms. Chile is also home to many social innovations (such as *Techo*, *Socialab*, FIIS), which have now been exported to other Latin American countries. In terms of financial support there is still very limited activity from private investors.

### Public support programs

There is a host of public programs, which focus on startups, the main institutions being CORFO and Start-Up Chile. Social innovation has been on the public agenda, however moving from one department to another until the recent efforts at coordination across units. Also recently the Government Laboratory has been created to stimulate innovation in public policy, CNID is leading an innovative policy process on social innovation and there is more focus on the regional, ecosystem approach.

A key role for the government to play in supporting the sector would be to change their procurement rules to create a market for the many social enterprises created that end up leaving Chile due to small market size. Another challenge is that public funds such as CORFO's have very low follow up support to help scale up companies.

Finally, the attempt to create a new legal structure for social enterprise is not a priority for government perhaps due to the recent economic slowdown in the country and lack of perceived demand.

### Specialized intermediaries & physical spaces

There is great coordination and communication between actors, as an example the IF project where different social innovation intermediaries share a campus and offices or the International Festival for Social Innovation (FIIS), which reunites every year local and international social innovators. Ashoka, *Sistema B* and *SocialLab* are key players and more recently CasaCo was set up to address the gap in Chile's social entrepreneurship support system for social enterprises that have 2-3 years' experience and still need some support in terms of networking, mentoring and access to finance. Intermediaries from Chile have also crossed the border, *Socialab* is now in Argentina, Uruguay, Colombia, Mexico and the FIIS has been exported to Argentina and Peru. The FIIS is also moving out of Santiago, in 4 other areas in Chile and regional Universities in Bio Bio,

Valparaiso and Antofagasta are now also members. This is a sign the maturity for social innovation in the region. The only critic to these players is that there is sometimes competition for projects, many intermediaries end up chasing the same social enterprises. Although things have improved better coordination and specialization between intermediaries is still needed.

### **Financial support**

The typical finance gap for Chile is year 2 to 3 where social enterprises may need between US\$100K to US\$500K. The Social Investment Fund (FIS) is one actor that will begin to address this gap with a second fund that will aim at enterprises at year 2 stage. CasaCo, while not offering finance is also supporting enterprises in this stage through connections to investors.

There is still very little finance in general from private players, with little activity in the social impact investment arena perhaps as initiatives have not been able to demonstrate social and financial returns with enough clarity and demonstration of impact is insufficient to generate the confidence amongst investors. Angel investors are focused on technology and innovation not on social innovation.

Startup Chile and other seed investments will need to mature from being subsidy based to returns-driven to really evaluate their effectiveness at producing investable startups with big market potential. As many organizations support early stage activities in social innovation it is harder to evaluate systemic change, as the final objective of any process of social innovation<sup>19</sup>. The government has played a central role in developing Santiago's Startup ecosystem but needs to look at how to stimulate markets and create exit strategies for the businesses to encourage more private sector involvement.

Differences in the ecosystem within regions are remarkable. Santiago has most of the social innovation actors, followed by Valparaiso for its proximity to Santiago. Regional hubs like Concepcion, Bio Bio and Antofagasta are increasingly gaining influence though both public and private support.

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<sup>19</sup> Socialab, Estudio del diseño de instrumento para fomento a la innovación social